

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|                                                                                                                                                                     |                               |                                                              |                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------------------------------------------------|---------------------------|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other |                               | Local Government Name<br><b>County of Mackinac, Michigan</b> | County<br><b>Mackinac</b> |
| Audit Date<br><b>12/31/05</b>                                                                                                                                       | Opinion Date<br><b>3/7/06</b> | Date Accountant Report Submitted to State:<br><b>6/29/06</b> |                           |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                                                     |                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                      |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                     |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                         |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                |

We have enclosed the following:

|                                                                               | Enclosed | To Be Forwarded | Not Required |
|-------------------------------------------------------------------------------|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).                                                 | ✓        |                 |              |

|                                                                                        |                          |                        |                     |
|----------------------------------------------------------------------------------------|--------------------------|------------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>Anderson, Tackman &amp; Company, PLC</b> |                          |                        |                     |
| Street Address<br><b>16978 S. Riley Avenue</b>                                         | City<br><b>Kincheloe</b> | State<br><b>Mi</b>     | ZIP<br><b>49788</b> |
| Accountant Signature<br><i>Anderson Tackman &amp; Co PLC</i>                           |                          | Date<br><b>6/29/06</b> |                     |

**COUNTY OF MACKINAC, MICHIGAN**

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**BASIC FINANCIAL STATEMENTS**

December 31, 2005

**MACKINAC COUNTY, MICHIGAN**

**ORGANIZATION**

**MEMBERS OF THE COUNTY COMMISSION**

|              |                   |
|--------------|-------------------|
| COMMISSIONER | JOE DURM          |
| COMMISSIONER | JAMES FARERO      |
| COMMISSIONER | CARL FRAZIER      |
| COMMISSIONER | LAWRENCE LEVEILLE |
| COMMISSIONER | DAWN NELSON       |

**APPOINTED/ELECTED OFFICIALS**

|                  |                |
|------------------|----------------|
| COUNTY TREASURER | JANE HAMPTON   |
| COUNTY CLERK     | MAY KAY TAMLYN |

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Honorable Chairman and Members  
Of the Board of Commissioners  
County of Mackinac, Michigan  
100 S. Marley Street  
St. Ignace, MI 49781

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mackinac, Michigan as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Mackinac's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Mackinac County Road Commission and the Mackinac County Housing Commission, which represent 100% and 100% of assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, is so far as it relates to the amounts recorded for the Road Commission and Housing Commission is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mackinac, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2006 on our consideration of the County of Mackinac's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mackinac's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual major and combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and is not a required part of the basic financial statements of the County of Mackinac. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

March 7, 2006

## **Management's Discussion and Analysis**

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### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

### The County as a Whole

Mackinac County provides services such as General Government, Public Safety, Public Works, Judicial, Health & Welfare, and Tax Collection to its 11,000 residents.

In a condensed format, the table below shows the net assets of Mackinac County.

|                              | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total                |                      |
|------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|                              | 2005                       | 2004                | 2005                        | 2004                | 2005                 | 2004                 |
| Current Assets               | \$ 9,364,784               | \$ 8,574,247        | \$ 5,572,176                | \$ 5,246,765        | \$ 14,936,960        | \$ 13,821,012        |
| Noncurrent Assets            | <u>3,658,522</u>           | <u>3,723,183</u>    | <u>-</u>                    | <u>-</u>            | <u>3,658,522</u>     | <u>3,723,183</u>     |
| Total Assets                 | <u>13,023,306</u>          | <u>12,297,430</u>   | <u>5,572,176</u>            | <u>5,246,765</u>    | <u>18,595,482</u>    | <u>17,544,195</u>    |
| Current Liabilities          | 3,407,676                  | 3,249,385           | 4,752                       | 283                 | 3,412,428            | 3,249,668            |
| Long-Term Debt Outstanding   | <u>3,100,086</u>           | <u>3,469,232</u>    | <u>-</u>                    | <u>-</u>            | <u>3,100,086</u>     | <u>3,469,232</u>     |
| Total Liabilities            | <u>6,507,762</u>           | <u>6,718,617</u>    | <u>4,752</u>                | <u>283</u>          | <u>6,512,514</u>     | <u>6,718,900</u>     |
| Net Assets                   |                            |                     |                             |                     |                      |                      |
| Invested in Capital Assets - |                            |                     |                             |                     |                      |                      |
| Net of Debt                  | 2,056,933                  | 2,163,615           | -                           | -                   | 2,056,933            | 2,163,615            |
| Restricted                   | 1,720,252                  | 1,664,434           | 388,973                     | 327,643             | 2,109,225            | 1,992,077            |
| Unrestricted (Deficit)       | <u>2,738,359</u>           | <u>1,750,764</u>    | <u>5,178,451</u>            | <u>4,918,839</u>    | <u>7,916,810</u>     | <u>6,669,603</u>     |
| Total Net Assets             | <u>\$ 6,515,544</u>        | <u>\$ 5,578,813</u> | <u>\$ 5,567,424</u>         | <u>\$ 5,246,482</u> | <u>\$ 12,082,968</u> | <u>\$ 10,825,295</u> |

The current level of unrestricted net assets for our governmental activities stands at \$2,738,359, or about 38% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased by \$936,731. Net Assets of the business-type activities increased by \$320,942.

The following table shows the activities of the County.

|                                    | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total                |                      |
|------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|                                    | 2005                       | 2004                | 2005                        | 2004                | 2005                 | 2004                 |
| Program Revenues                   |                            |                     |                             |                     |                      |                      |
| Charges for Services               | \$ 1,057,756               | \$ 1,260,985        | \$ 468,381                  | \$ 526,985          | \$ 1,526,137         | \$ 1,787,970         |
| Operating Grants and Contributions | 1,717,621                  | 1,229,921           | -                           | -                   | 1,717,621            | 1,229,921            |
| Capital Grants and Contributions   | -                          | 325,154             | -                           | -                   | -                    | 325,154              |
| General Revenues                   |                            |                     |                             |                     |                      |                      |
| Property Taxes                     | 5,000,659                  | 5,234,897           | -                           | -                   | 5,000,659            | 5,234,897            |
| Unrestricted Investment Earnings   | 113,379                    | 74,888              | 107,993                     | 67,992              | 221,372              | 142,880              |
| Transfers In                       | 94,294                     | 133,318             | (94,294)                    | (133,318)           | -                    | -                    |
| Other                              | 104,237                    | 123,313             | -                           | -                   | 104,237              | 123,313              |
| Total Revenues                     | <u>8,087,946</u>           | <u>8,382,476</u>    | <u>482,080</u>              | <u>461,659</u>      | <u>8,570,026</u>     | <u>8,844,135</u>     |
| Program Expenses                   |                            |                     |                             |                     |                      |                      |
| Legislative                        | 177,272                    | 117,765             | -                           | -                   | 177,272              | 117,765              |
| Judicial                           | 1,053,641                  | 1,043,961           | -                           | -                   | 1,053,641            | 1,043,961            |
| General Government                 | 2,013,860                  | 2,336,245           | -                           | -                   | 2,013,860            | 2,336,245            |
| Public Safety                      | 1,958,320                  | 1,485,407           | -                           | -                   | 1,958,320            | 1,485,407            |
| Public Works                       | 131,284                    | 131,298             | -                           | -                   | 131,284              | 131,298              |
| Health and Welfare                 | 1,428,161                  | 1,495,661           | -                           | -                   | 1,428,161            | 1,495,661            |
| Debt Service                       | 133,979                    | 145,506             | -                           | -                   | 133,979              | 145,506              |
| Other                              | 254,698                    | 244,687             | -                           | -                   | 254,698              | 244,687              |
| Tax Collection                     | -                          | -                   | 144,941                     | 68,215              | 144,941              | 68,215               |
| Commissary                         | -                          | -                   | 16,197                      | 3,576               | 16,197               | 3,576                |
| Total Expenses                     | <u>7,151,215</u>           | <u>7,000,530</u>    | <u>161,138</u>              | <u>71,791</u>       | <u>7,312,353</u>     | <u>7,072,321</u>     |
| Change in Net Assets               | 936,731                    | 1,381,946           | 320,942                     | 389,868             | 1,257,673            | 1,771,814            |
| Beginning Net Assets               | <u>5,578,813</u>           | <u>4,196,867</u>    | <u>5,246,482</u>            | <u>4,856,614</u>    | <u>10,825,295</u>    | <u>9,053,481</u>     |
| Ending Net Assets                  | <u>\$ 6,515,544</u>        | <u>\$ 5,578,813</u> | <u>\$ 5,567,424</u>         | <u>\$ 5,246,482</u> | <u>\$ 12,082,968</u> | <u>\$ 10,825,295</u> |

### **Governmental Activities**

Revenues for governmental activities totaled \$8 million in 2005. Of this amount \$5 million was received for taxes. Expenses for the governmental activities totaled \$7.1 million for 2005. The two largest expenses were for General Government and Public Safety.

### **Business-Type Activities**

The County has two business-type activities, the Delinquent Tax Revolving Fund, which purchases any delinquent real property taxes from local municipalities and the Commissary Fund, which is used to account for the concession operations in the county jail. During the year the Delinquent Tax Revolving Fund had a net income of \$321,498, the previous years' net income was \$390,244. The Commissary Fund had a net loss of \$556.

### **The County's Funds**

Our analysis of the County's major funds begins on page 10 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2005 include the General Fund, Revenue Sharing Reserve, Hospital Millage, Hospital Debt Service Fund, and the Delinquent Tax Fund. Funds supported by special millages consist of the Hospital Millage Fund.

The General Fund supports most of the County's governmental services. The most costly are the police, courts, and law enforcement functions. The Revenue Sharing Reserve Fund accounts for tax monies set aside for revenue sharing that was discontinued by the State of Michigan in 2004. The Hospital Millage fund accounts for a special millage used to fund health services with the Mackinac Straits Hospital. The Hospital Debt Fund is used to account for resources used to repay principle and interest on the Medical Facility Bond. The Delinquent Tax fund is supported by interest and fees from the collection of taxes.

### **General Fund Budgetary Highlights**

The General Fund realized \$303,986 less in revenues than anticipated for the fiscal year. The General Fund operations expended \$342,808 less than appropriated. Operating Transfers exceeded both anticipated revenue and expenditures amounts resulting in a positive net budget variance of \$151,198. In the General Fund \$17,032 of Fund Balance was anticipated to be used for the fiscal year budget; but there was actually an increase of \$172,988.

Actual revenues were under budget because of less tax revenues than budgeted amounting to \$428,971 and less federal and state revenues amounting to \$44,712. Actual expenditures were under budget because of less spending than budgeted in the following departments: Courthouse and Grounds, Planning Commission, Family Court, and Data Processing.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues that developed in the year. The major adjustments were in Taxes and Penalties, State, and Federal Grants. The budget was also amended to reflect adjustments in expenditures. The major adjustments to expenditures were to reflect decreases in the Administrator's Department and Marine Law Enforcement and increase to the Sheriff, County Jail, and Emergency Preparedness departments.

### **Other Funds**

The 911 Programs, Child Care, Friend of the Court Fund and Community Corrections ended the year with a fund balance of ten percent or greater. All of this provides for stability, future flexibility, and a mechanism for setting aside funds for services and equipment replacement.

### **Capital Asset and Debt Administration**

During the 2005 period, the County invested or acquired \$3,658,522 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included the purchase of seven patrol vehicles and two 4x4's for use in the Sheriff's Department.

The County reduced its bond debt load by \$197,000 in principal payments, ending with a debt balance of \$3,068,000.

### **Economic Factors and Next Year's Budgets and Rates**

The County is in a budget battle from year to year. Normally, the cap on the growth rate under the Headlee Amendment, the voter's reluctance to adjust or augment taxes for general operations, and the corresponding double digit growth rates in health and liability insurances have put significant limitations on budget flexibility. There are looming indications from the state that further cuts will occur in other state funded areas. This could put increased pressure on already tight budget projections. Mackinac County having the highest unemployment rate in the state also impacts the County's economic future. We are pleased to end the current year with healthy fund balances in all major funds, but are realistic in projecting revenue for current and future budgets in order that revenue expectations and corresponding expenses are not inflated.

### **Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the County Clerk's Office at (906) 647-7300.

## **Basic Financial Statements**

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# County of Mackinac, Michigan

## Statement of Net Assets

December 31, 2005

|                                                  | Primary Government         |                             |                      |                      |
|--------------------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                                                  | Governmental<br>Activities | Business-type<br>Activities | Totals               | Component<br>Units   |
| <b>ASSETS:</b>                                   |                            |                             |                      |                      |
| Current Assets:                                  |                            |                             |                      |                      |
| Cash & Equivalents - Unrestricted                | \$ 3,442,903               | \$ 4,267,347                | \$ 7,710,250         | \$ 1,670,460         |
| Investments - Unrestricted                       | -                          | 439,607                     | 439,607              | -                    |
| Receivables:                                     |                            |                             |                      |                      |
| Accounts                                         | 38,164                     | -                           | 38,164               | 59,223               |
| Taxes                                            | 4,035,317                  | 853,354                     | 4,888,671            | -                    |
| Leases                                           | 1,595,000                  | -                           | 1,595,000            | 4,092,000            |
| Prepaid Expenses                                 | 36,797                     | -                           | 36,797               | 114,858              |
| Due from Governmental Units                      | 216,603                    | 11,868                      | 228,471              | 940,680              |
| Inventories                                      | -                          | -                           | -                    | 758,873              |
| Other Assets                                     | -                          | -                           | -                    | 95                   |
| Total Current Assets                             | 9,364,784                  | 5,572,176                   | 14,936,960           | 7,636,189            |
| Non-Current Assets:                              |                            |                             |                      |                      |
| Capital Assets (Net of Accumulated Depreciation) | 3,658,522                  | -                           | 3,658,522            | 28,288,180           |
| <b>TOTAL ASSETS</b>                              | <b>\$ 13,023,306</b>       | <b>\$ 5,572,176</b>         | <b>\$ 18,595,482</b> | <b>\$ 35,924,369</b> |
| <b>LIABILITIES:</b>                              |                            |                             |                      |                      |
| Current Liabilities:                             |                            |                             |                      |                      |
| Accounts Payable                                 | \$ 88,172                  | \$ 4,752                    | \$ 92,924            | \$ 309,204           |
| Accrued Liabilities                              | 41,731                     | -                           | 41,731               | 58,020               |
| Accrued Interest Payable                         | 26,110                     | -                           | 26,110               | 54,449               |
| Advances from State                              | -                          | -                           | -                    | 162,532              |
| Deferred Revenue                                 | 3,009,818                  | -                           | 3,009,818            | 132                  |
| Vested Employee Benefits                         | -                          | -                           | -                    | 9,150                |
| Capital Leases                                   | 43,845                     | -                           | 43,845               | 1,861                |
| Installment Loans                                | -                          | -                           | -                    | 87,652               |
| Bonds Payable                                    | 198,000                    | -                           | 198,000              | 455,000              |
| Total Current Liabilities                        | 3,407,676                  | 4,752                       | 3,412,428            | 1,138,000            |
| Non-Current Liabilities:                         |                            |                             |                      |                      |
| Vested Employee Benefits                         | 145,342                    | -                           | 145,342              | 94,479               |
| Capital Leases                                   | 84,744                     | -                           | 84,744               | 2,766                |
| Installment Loans                                | -                          | -                           | -                    | 8,623                |
| Bonds Payable                                    | 2,870,000                  | -                           | 2,870,000            | 5,646,000            |
| Total Non-Current Liabilities                    | 3,100,086                  | -                           | 3,100,086            | 5,751,868            |
| <b>TOTAL LIABILITIES</b>                         | <b>6,507,762</b>           | <b>4,752</b>                | <b>6,512,514</b>     | <b>6,889,868</b>     |
| <b>NET ASSETS:</b>                               |                            |                             |                      |                      |
| Invested in Capital Assets (net of related debt) | 2,056,933                  | -                           | 2,056,933            | 26,178,278           |
| Restricted                                       | 1,720,252                  | 388,973                     | 2,109,225            | 857,645              |
| Unrestricted                                     | 2,738,359                  | 5,178,451                   | 7,916,810            | 1,998,578            |
| <b>TOTAL NET ASSETS</b>                          | <b>\$ 6,515,544</b>        | <b>\$ 5,567,424</b>         | <b>\$ 12,082,968</b> | <b>\$ 29,034,501</b> |

# County of Mackinac, Michigan

## Statement of Activities For the Year Ended December 31, 2005

| Functions/Programs                     | Expenses      | Program Revenues        |                     |                                        | Net (Expense) Revenue and<br>Changes in Net Assets |                             |               | Component<br>Unit |
|----------------------------------------|---------------|-------------------------|---------------------|----------------------------------------|----------------------------------------------------|-----------------------------|---------------|-------------------|
|                                        |               | Charges for<br>Services | Operating<br>Grants | Capital<br>Grants and<br>Contributions | Primary Government                                 |                             |               |                   |
|                                        |               |                         |                     |                                        | Governmental<br>Activities                         | Business-Type<br>Activities | Total         |                   |
| <b>Primary Government:</b>             |               |                         |                     |                                        |                                                    |                             |               |                   |
| <b>Governmental Activities:</b>        |               |                         |                     |                                        |                                                    |                             |               |                   |
| Legislative                            | \$ 177,272    | \$ 2,900                | \$ -                | \$ -                                   | \$ (174,372)                                       | \$ -                        | \$ (174,372)  | \$ -              |
| Judicial                               | 1,053,641     | 517,318                 | 478,740             | -                                      | (57,583)                                           | -                           | (57,583)      | -                 |
| General Government                     | 2,013,860     | 217,360                 | 567,379             | -                                      | (1,229,121)                                        | -                           | (1,229,121)   | -                 |
| Public Safety                          | 1,958,320     | 291,911                 | 326,585             | -                                      | (1,339,824)                                        | -                           | (1,339,824)   | -                 |
| Public Works                           | 131,284       | -                       | -                   | -                                      | (131,284)                                          | -                           | (131,284)     | -                 |
| Health & Welfare                       | 1,428,161     | 28,267                  | 344,917             | -                                      | (1,054,977)                                        | -                           | (1,054,977)   | -                 |
| Interest Expense                       | 133,979       | -                       | -                   | -                                      | (133,979)                                          | -                           | (133,979)     | -                 |
| Other                                  | 254,698       | -                       | -                   | -                                      | (254,698)                                          | -                           | (254,698)     | -                 |
| Total Governmental Activities          | 7,151,215     | 1,057,756               | 1,717,621           | -                                      | (4,375,838)                                        | -                           | (4,375,838)   | -                 |
| <b>Business-type activities:</b>       |               |                         |                     |                                        |                                                    |                             |               |                   |
| Sheriff Commissary                     | 16,197        | 15,641                  | -                   | -                                      | -                                                  | (556)                       | (556)         | -                 |
| Tax Collection                         | 144,941       | 452,740                 | -                   | -                                      | -                                                  | 307,799                     | 307,799       | -                 |
| Total Business-type Activities         | 161,138       | 468,381                 | -                   | -                                      | -                                                  | 307,243                     | 307,243       | -                 |
| Total Primary Government               | \$ 7,312,353  | \$ 1,526,137            | \$ 1,717,621        | \$ -                                   | (4,375,838)                                        | 307,243                     | (4,068,595)   | -                 |
| <b>Component Units:</b>                |               |                         |                     |                                        |                                                    |                             |               |                   |
| Road Commission                        | 3,739,040     | 325,819                 | 4,571,331           | -                                      |                                                    |                             |               | 1,158,110         |
| Board of Public Works                  | 262,256       | -                       | 262,168             | -                                      |                                                    |                             |               | (88)              |
| Housing Commission                     | 340,532       | 86,652                  | 110,598             | 6,048                                  |                                                    |                             |               | (137,234)         |
| Economic Development                   | -             | 1,671                   | -                   | -                                      |                                                    |                             |               | 1,671             |
| Total Component Units                  | 4,341,828     | 414,142                 | 4,944,097           | 6,048                                  |                                                    |                             |               | 1,022,459         |
| Total                                  | \$ 11,654,181 | \$ 1,940,279            | \$ 6,661,718        | \$ 6,048                               |                                                    |                             |               |                   |
| <b>General Revenues and Transfers:</b> |               |                         |                     |                                        |                                                    |                             |               |                   |
| Taxes                                  |               |                         |                     |                                        | 5,000,659                                          | -                           | 5,000,659     | -                 |
| Investment Earnings (Loss)             |               |                         |                     |                                        | 113,379                                            | 107,993                     | 221,372       | 40,503            |
| Local Sources                          |               |                         |                     |                                        | -                                                  | -                           | -             | 104,259           |
| Transfers                              |               |                         |                     |                                        | 94,294                                             | (94,294)                    | -             | -                 |
| Sale of Fixed Assets (Loss)            |               |                         |                     |                                        | -                                                  | -                           | -             | (196)             |
| Other                                  |               |                         |                     |                                        | 104,237                                            | -                           | 104,237       | 52,757            |
| Total General Revenues and Transfers   |               |                         |                     |                                        | 5,312,569                                          | 13,699                      | 5,326,268     | 197,323           |
| Changes in Net Assets                  |               |                         |                     |                                        | 936,731                                            | 320,942                     | 1,257,673     | 1,219,782         |
| Net Assets - Beginning                 |               |                         |                     |                                        | 5,578,813                                          | 5,246,482                   | 10,825,295    | 27,814,719        |
| Net Assets - Ending                    |               |                         |                     |                                        | \$ 6,515,544                                       | \$ 5,567,424                | \$ 12,082,968 | \$ 29,034,501     |

See accompanying notes to financial statements.

# County of Mackinac, Michigan

## Balance Sheet Governmental Funds December 31, 2005

|                                                                                                       | General             | Revenue<br>Sharing<br>Reserve | Hospital<br>Millage | Mackinac<br>Straights<br>Hospital | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------------------------------------------------------------------------------------|---------------------|-------------------------------|---------------------|-----------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS:</b>                                                                                        |                     |                               |                     |                                   |                                |                                |
| Cash & Equivalents - Unrestricted                                                                     | \$ 1,863,180        | \$ 694,753                    | \$ 21               | \$ -                              | \$ 884,949                     | \$ 3,442,903                   |
| Due from Other Funds                                                                                  | 101,946             | -                             | -                   | -                                 | -                              | 101,946                        |
| Receivables:                                                                                          |                     |                               |                     |                                   |                                |                                |
| Accounts                                                                                              | -                   | -                             | -                   | -                                 | 38,164                         | 38,164                         |
| Taxes                                                                                                 | 2,123,383           | 1,025,499                     | 886,435             | -                                 | -                              | 4,035,317                      |
| Leases Receivable                                                                                     | -                   | -                             | -                   | 1,595,000                         | -                              | 1,595,000                      |
| Due from Governmental Units                                                                           | 114,652             | -                             | -                   | -                                 | 101,951                        | 216,603                        |
| <b>TOTAL ASSETS</b>                                                                                   | <b>\$ 4,203,161</b> | <b>\$ 1,720,252</b>           | <b>\$ 886,456</b>   | <b>\$ 1,595,000</b>               | <b>\$ 1,025,064</b>            | <b>\$ 9,429,933</b>            |
| <b>LIABILITIES:</b>                                                                                   |                     |                               |                     |                                   |                                |                                |
| Due to Other Funds                                                                                    | \$ -                | \$ -                          | \$ -                | \$ -                              | \$ 101,946                     | \$ 101,946                     |
| Accounts Payable                                                                                      | 84,723              | -                             | -                   | -                                 | 3,449                          | 88,172                         |
| Accrued Liabilities                                                                                   | 40,668              | -                             | -                   | -                                 | 1,063                          | 41,731                         |
| Deferred Revenue                                                                                      | 2,123,383           | -                             | 886,435             | 1,595,000                         | -                              | 4,604,818                      |
| <b>TOTAL LIABILITIES</b>                                                                              | <b>2,248,774</b>    | <b>-</b>                      | <b>886,435</b>      | <b>1,595,000</b>                  | <b>106,458</b>                 | <b>4,836,667</b>               |
| <b>FUND BALANCES:</b>                                                                                 |                     |                               |                     |                                   |                                |                                |
| Reserved for Revenue Sharing                                                                          | -                   | 1,720,252                     | -                   | -                                 | -                              | 1,720,252                      |
| Unreserved:                                                                                           |                     |                               |                     |                                   |                                |                                |
| Undesignated                                                                                          | 637,736             | -                             | -                   | -                                 | 913,606                        | 1,551,342                      |
| Designated                                                                                            | 1,316,651           | -                             | 21                  | -                                 | 5,000                          | 1,321,672                      |
| <b>TOTAL FUND BALANCES</b>                                                                            | <b>1,954,387</b>    | <b>1,720,252</b>              | <b>21</b>           | <b>-</b>                          | <b>918,606</b>                 | <b>4,593,266</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>                                                            | <b>\$ 4,203,161</b> | <b>\$ 1,720,252</b>           | <b>\$ 886,456</b>   | <b>\$ 1,595,000</b>               | <b>\$ 1,025,064</b>            |                                |
| <b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b> |                     |                               |                     |                                   |                                |                                |
| Capital assets used by governmental activities                                                        |                     |                               |                     |                                   |                                | 3,658,522                      |
| Long term notes & leases payable for governmental activities                                          |                     |                               |                     |                                   |                                | (3,196,589)                    |
| Compensated absences liability                                                                        |                     |                               |                     |                                   |                                | (145,342)                      |
| Prepaid expenses                                                                                      |                     |                               |                     |                                   |                                | 36,797                         |
| Deferred revenue recognized as current revenue                                                        |                     |                               |                     |                                   |                                | 1,595,000                      |
| Accrued interest expense                                                                              |                     |                               |                     |                                   |                                | (26,110)                       |
| <b>Net assets of governmental activities</b>                                                          |                     |                               |                     |                                   |                                | <b>\$ 6,515,544</b>            |



# County of Mackinac, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2005

|                                                                                                                       | General             | Revenue<br>Sharing<br>Reserve | Hospital<br>Millage | Mackinac<br>Straights<br>Hospital | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------------------------------------------------------------------------------------------------------|---------------------|-------------------------------|---------------------|-----------------------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>                                                                                                      |                     |                               |                     |                                   |                                |                                |
| Taxes                                                                                                                 | \$ 3,052,731        | \$ 1,008,314                  | \$ 939,614          | \$ -                              | \$ -                           | \$ 5,000,659                   |
| Licenses & Permits                                                                                                    | 8,779               | -                             | -                   | -                                 | -                              | 8,779                          |
| Federal Sources                                                                                                       | 421,015             | -                             | -                   | -                                 | 130,392                        | 551,407                        |
| State Sources                                                                                                         | 709,700             | -                             | -                   | -                                 | 364,582                        | 1,074,282                      |
| Local Sources                                                                                                         | 81,440              | -                             | -                   | 204,343                           | 416                            | 286,199                        |
| Charges for Services                                                                                                  | 789,761             | -                             | -                   | -                                 | 260,892                        | 1,050,653                      |
| Fines & Forfeits                                                                                                      | 7,653               | -                             | -                   | -                                 | 6,631                          | 14,284                         |
| Interest & Rentals                                                                                                    | 97,706              | -                             | 541                 | -                                 | 15,132                         | 113,379                        |
| Other Revenue                                                                                                         | 25,899              | 7,867                         | -                   | -                                 | 244                            | 34,010                         |
| <b>TOTAL REVENUES</b>                                                                                                 | <b>5,194,684</b>    | <b>1,016,181</b>              | <b>940,155</b>      | <b>204,343</b>                    | <b>778,289</b>                 | <b>8,133,652</b>               |
| <b>EXPENDITURES:</b>                                                                                                  |                     |                               |                     |                                   |                                |                                |
| Legislative                                                                                                           | 177,272             | -                             | -                   | -                                 | -                              | 177,272                        |
| Judicial                                                                                                              | 1,035,783           | -                             | -                   | -                                 | 10,965                         | 1,046,748                      |
| General Government                                                                                                    | 1,783,534           | -                             | -                   | -                                 | 149,307                        | 1,932,841                      |
| Public Safety                                                                                                         | 1,564,703           | -                             | -                   | -                                 | 370,809                        | 1,935,512                      |
| Public Works                                                                                                          | -                   | -                             | -                   | -                                 | 120,000                        | 120,000                        |
| Health & Welfare                                                                                                      | 172,760             | -                             | 943,381             | -                                 | 312,020                        | 1,428,161                      |
| Debt Service                                                                                                          | -                   | -                             | -                   | 204,343                           | 131,588                        | 335,931                        |
| Other Expenditures                                                                                                    | 242,342             | -                             | -                   | -                                 | -                              | 242,342                        |
| <b>TOTAL EXPENDITURES</b>                                                                                             | <b>4,976,394</b>    | <b>-</b>                      | <b>943,381</b>      | <b>204,343</b>                    | <b>1,094,689</b>               | <b>7,218,807</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>                                                              | <b>218,290</b>      | <b>1,016,181</b>              | <b>(3,226)</b>      | <b>-</b>                          | <b>(316,400)</b>               | <b>914,845</b>                 |
| <b>OTHER FINANCING SOURCES (USES):</b>                                                                                |                     |                               |                     |                                   |                                |                                |
| Operating Transfers In                                                                                                | 292,786             | -                             | -                   | -                                 | 339,713                        | 632,499                        |
| Operating Transfers Out                                                                                               | (338,088)           | (198,492)                     | -                   | -                                 | (1,625)                        | (538,205)                      |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>172,988</b>      | <b>817,689</b>                | <b>(3,226)</b>      | <b>-</b>                          | <b>21,688</b>                  | <b>1,009,139</b>               |
| <b>FUND BALANCES, JANUARY 1</b>                                                                                       | <b>1,781,399</b>    | <b>902,563</b>                | <b>3,247</b>        | <b>-</b>                          | <b>896,918</b>                 | <b>3,584,127</b>               |
| <b>FUND BALANCES, DECEMBER 31</b>                                                                                     | <b>\$ 1,954,387</b> | <b>\$ 1,720,252</b>           | <b>\$ 21</b>        | <b>\$ -</b>                       | <b>\$ 918,606</b>              | <b>\$ 4,593,266</b>            |

# County of Mackinac, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2005

Net Changes in fund balances – total governmental funds \$ 1,009,139

The change in net assets reported for governmental activities in the  
Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets  
is capitalized and the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense.  
This is the amount by which depreciation expense (\$197,285) and  
loss on disposal (24,768) exceeded capital outlays of \$157,392. (64,661)

Repayment of bond principal is an expenditure in the governmental  
fund but reduces the liability in the statement of net assets. 197,000

Receipt of bond proceeds is an other financing source in the governmental  
funds, but is recognized as an increase in liability on the statement of  
net assets. (147,881)

Repayment of capital lease is an expenditure in the governmental fund  
but reduces the liability in the statement of net assets. 48,860

Recognition of Deferred Revenue in Statement of Activities (140,000)

Under the modified accrual basis of accounting used in governmental  
funds, expenditures are not recognized for transactions that are not  
normally paid with expendable available financial resources. In the  
statement of activities, however, which is presented on the accrual  
basis, expenses and liabilities are reported regardless of when financial  
resources are available. In addition, interest on long-term debt is not  
recognized under the modified accrual basis of accounting until due,  
rather than as it accrues. This adjustment combines the following net  
changes:

|                           |              |               |
|---------------------------|--------------|---------------|
| Compensated absences      | 29,322       |               |
| Accrued interest on bonds | <u>4,952</u> |               |
|                           |              | <u>34,274</u> |

Changes in net assets of governmental funds \$ 936,731

**Statement of Net Assets  
Proprietary Funds  
December 31, 2005**

|                                         | Enterprise Funds       |                       | Totals              |
|-----------------------------------------|------------------------|-----------------------|---------------------|
|                                         | Major                  | Non-Major             |                     |
|                                         | Delinquent<br>Tax Fund | Sheriff<br>Commissary |                     |
| ASSETS:                                 |                        |                       |                     |
| Cash and Equivalents                    | \$ 4,267,173           | \$ 174                | \$ 4,267,347        |
| Investments                             | 439,607                | -                     | 439,607             |
| Taxes Receivable                        | 853,354                | -                     | 853,354             |
| Due from Governmental Units             | 11,868                 | -                     | 11,868              |
| <b>TOTAL ASSETS</b>                     | <b>\$ 5,572,002</b>    | <b>\$ 174</b>         | <b>\$ 5,572,176</b> |
| LIABILITIES:                            |                        |                       |                     |
| Accounts Payable                        | \$ 4,752               | \$ -                  | \$ 4,752            |
| <b>TOTAL LIABILITIES</b>                | <b>4,752</b>           | <b>-</b>              | <b>4,752</b>        |
| NET ASSETS:                             |                        |                       |                     |
| Reserved                                | 388,973                | -                     | 388,973             |
| Unreserved                              | 5,178,277              | 174                   | 5,178,451           |
| <b>TOTAL NET ASSETS</b>                 | <b>5,567,250</b>       | <b>174</b>            | <b>5,567,424</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 5,572,002</b>    | <b>\$ 174</b>         | <b>\$ 5,572,176</b> |

# County of Mackinac, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2005

|                                    | Enterprise Funds       |                       | Totals       |
|------------------------------------|------------------------|-----------------------|--------------|
|                                    | Major                  | Non-Major             |              |
|                                    | Delinquent<br>Tax Fund | Sheriff<br>Commissary |              |
| OPERATING REVENUES:                |                        |                       |              |
| Charges for Services               | \$ 276,604             | \$ 15,511             | \$ 292,115   |
| Interest & Rentals                 | 174,562                | -                     | 174,562      |
| Other Revenues                     | 1,574                  | 130                   | 1,704        |
| TOTAL REVENUES                     | 452,740                | 15,641                | 468,381      |
| OPERATING EXPENSES:                |                        |                       |              |
| Other Expenses                     | 144,941                | 16,197                | 161,138      |
| TOTAL EXPENSES                     | 144,941                | 16,197                | 161,138      |
| OPERATING INCOME (LOSS)            | 307,799                | (556)                 | 307,243      |
| NON-OPERATING REVENUES (EXPENSES): |                        |                       |              |
| Interest on Deposits               | 107,993                | -                     | 107,993      |
| Operating Transfers Out            | (94,294)               | -                     | (94,294)     |
| Change in Net Assets               | 321,498                | (556)                 | 320,942      |
| NET ASSETS, JANUARY 1              | 5,245,752              | 730                   | 5,246,482    |
| NET ASSETS, DECEMBER 31            | \$ 5,567,250           | \$ 174                | \$ 5,567,424 |

# County of Mackinac, Michigan

## Statement of Cash Flows Enterprise Funds For the Year Ended December 31, 2005

|                                                                                                           | Enterprise Funds       |                       |                     |
|-----------------------------------------------------------------------------------------------------------|------------------------|-----------------------|---------------------|
|                                                                                                           | Major                  | Nonmajor              |                     |
|                                                                                                           | Delinquent<br>Tax Fund | Sheriff<br>Commissary | Totals              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                              |                        |                       |                     |
| Receipts from Customers                                                                                   | \$ 373,067             | \$ 15,641             | \$ 388,708          |
| Payments to Suppliers                                                                                     | (140,472)              | (16,197)              | (156,669)           |
| Net Cash Provided (Used) by Operating Activities                                                          | 232,595                | (556)                 | 232,039             |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>                                                  |                        |                       |                     |
| Operating Transfers Out                                                                                   | (94,294)               | -                     | (94,294)            |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>                                                      |                        |                       |                     |
| Interest Earned                                                                                           | 107,993                | -                     | 107,993             |
| Sale of Investments                                                                                       | 1,116,361              | -                     | 1,116,361           |
| Net Cash Provided (Used) by Capital<br>Financing Activities                                               | 1,224,354              | -                     | 1,224,354           |
| Net Increase (Decrease) in Cash and Cash Equivalents                                                      | 1,362,655              | (556)                 | 1,362,099           |
| Cash and Cash Equivalents - Beginning of the Year                                                         | 2,904,518              | 730                   | 2,905,248           |
| Cash and Cash Equivalents - End of the Year                                                               | <u>\$ 4,267,173</u>    | <u>\$ 174</u>         | <u>\$ 4,267,347</u> |
| <b>Reconciliation of Operating Income (Loss) to<br/>Net Cash Provided (Used) by Operating Activities:</b> |                        |                       |                     |
| Operating Income (Loss)                                                                                   | \$ 307,799             | \$ (556)              | \$ 307,243          |
| Adjustments to Reconcile Operating Income (Loss) to<br>Net Cash Provided (Used) by Operating Activities:  |                        |                       |                     |
| Change in Assets and Liabilities:                                                                         |                        |                       |                     |
| (Increase) Decrease in Assets:                                                                            |                        |                       |                     |
| Receivables                                                                                               | (79,673)               | -                     | (79,673)            |
| Increase (Decrease) in Liabilities:                                                                       |                        |                       |                     |
| Payables                                                                                                  | 4,469                  | -                     | 4,469               |
| Net Cash Provided by Operating Activities                                                                 | <u>\$ 232,595</u>      | <u>\$ (556)</u>       | <u>\$ 232,039</u>   |

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**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2005**

|                           | <u>Agency Funds</u>            |
|---------------------------|--------------------------------|
| <b>ASSETS:</b>            |                                |
| Cash & Cash Equivalents   | <u>\$ 1,028,141</u>            |
| <br>TOTAL ASSETS          | <br><u><u>\$ 1,028,141</u></u> |
| <br><b>LIABILITIES:</b>   |                                |
| Accounts Payable          | \$ 614                         |
| Due to Others             | 535                            |
| Due to Governmental Units | 979,565                        |
| Due to Other Individuals  | <u>47,427</u>                  |
| <br>TOTAL LIABILITIES     | <br><u><u>\$ 1,028,141</u></u> |

## **Component Units**

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# County of Mackinac, Michigan

## Statement of Net Assets

### Component Units

December 31, 2005

|                                                 | Road<br>Commission   | Board of<br>Public<br>Works | Housing<br>Commission | Economic<br>Development<br>Corporation | Totals               |
|-------------------------------------------------|----------------------|-----------------------------|-----------------------|----------------------------------------|----------------------|
| <b>ASSETS:</b>                                  |                      |                             |                       |                                        |                      |
| Cash & Equivalents                              | \$ 1,588,641         | \$ 10                       | \$ 76,074             | \$ 5,735                               | \$ 1,670,460         |
| Accounts Receivable                             | 49,754               | -                           | 9,469                 | -                                      | 59,223               |
| Leases Receivable                               | -                    | 4,092,000                   | -                     | -                                      | 4,092,000            |
| Prepaid Expenses                                | 65,370               | 38,963                      | 10,525                | -                                      | 114,858              |
| Inventories                                     | 758,873              | -                           | -                     | -                                      | 758,873              |
| Due from other governmental units               | 940,680              | -                           | -                     | -                                      | 940,680              |
| Accrued Interest                                | -                    | -                           | 95                    | -                                      | 95                   |
| Capital Assets (net)                            | 26,703,856           | -                           | 1,584,324             | -                                      | 28,288,180           |
| <b>TOTAL ASSETS</b>                             | <b>\$ 30,107,174</b> | <b>\$ 4,130,973</b>         | <b>\$ 1,680,487</b>   | <b>\$ 5,735</b>                        | <b>\$ 35,924,369</b> |
| <b>LIABILITIES:</b>                             |                      |                             |                       |                                        |                      |
| Current Liabilities:                            |                      |                             |                       |                                        |                      |
| Accounts Payable                                | \$ 291,078           | \$ -                        | \$ 18,126             | \$ -                                   | \$ 309,204           |
| Accrued Liabilities                             | 50,726               | -                           | 7,294                 | -                                      | 58,020               |
| Accrued Interest Payable                        | 15,486               | 38,963                      | -                     | -                                      | 54,449               |
| Advances from State                             | 162,532              | -                           | -                     | -                                      | 162,532              |
| Deferred Revenue                                | -                    | -                           | 132                   | -                                      | 132                  |
| Bonds Payable                                   | 349,000              | 106,000                     | -                     | -                                      | 455,000              |
| Installment Notes                               | 87,652               | -                           | -                     | -                                      | 87,652               |
| Capital Leases Payable                          | 1,861                | -                           | -                     | -                                      | 1,861                |
| Vested Employee Benefits                        | 9,150                | -                           | -                     | -                                      | 9,150                |
| Noncurrent Liabilities:                         |                      |                             |                       |                                        |                      |
| Bonds Payable                                   | 1,660,000            | 3,986,000                   | -                     | -                                      | 5,646,000            |
| Installment Notes                               | 8,623                | -                           | -                     | -                                      | 8,623                |
| Capital Leases Payable                          | 2,766                | -                           | -                     | -                                      | 2,766                |
| Vested Employee Benefits                        | 87,358               | -                           | 7,121                 | -                                      | 94,479               |
| <b>TOTAL LIABILITIES</b>                        | <b>2,726,232</b>     | <b>4,130,963</b>            | <b>32,673</b>         | <b>-</b>                               | <b>6,889,868</b>     |
| <b>NET ASSETS:</b>                              |                      |                             |                       |                                        |                      |
| Invested in Capital Assets, net of related debt | 24,593,954           | -                           | 1,584,324             | -                                      | 26,178,278           |
| Restricted for County Road                      | 857,645              | -                           | -                     | -                                      | 857,645              |
| Unrestricted                                    | 1,929,343            | 10                          | 63,490                | 5,735                                  | 1,998,578            |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 27,380,942</b> | <b>\$ 10</b>                | <b>\$ 1,647,814</b>   | <b>\$ 5,735</b>                        | <b>\$ 29,034,501</b> |



# County of Mackinac, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2005

| Functions/Programs                      | Expenses            | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Assets |                             |                       |                                        |                      |
|-----------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|----------------------------------------------------|-----------------------------|-----------------------|----------------------------------------|----------------------|
|                                         |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Road<br>Commission                                 | Board of<br>Public<br>Works | Housing<br>Commission | Economic<br>Development<br>Corporation | Total                |
| <b>Road Commission:</b>                 |                     |                         |                                          |                                        |                                                    |                             |                       |                                        |                      |
| Public Works                            | \$ 3,739,040        | \$ 325,819              | \$ 4,571,331                             | \$ -                                   | \$ 1,158,110                                       | \$ -                        | \$ -                  | \$ -                                   | \$ 1,158,110         |
| <b>Board of Public Works</b>            |                     |                         |                                          |                                        |                                                    |                             |                       |                                        |                      |
| Public Works                            | 262,256             | -                       | 262,168                                  | -                                      | -                                                  | (88)                        | -                     | -                                      | (88)                 |
| <b>Housing Commission</b>               |                     |                         |                                          |                                        |                                                    |                             |                       |                                        |                      |
| Health & Welfare                        | 340,532             | 86,652                  | 110,598                                  | 6,048                                  | -                                                  | -                           | (137,234)             | -                                      | (137,234)            |
| <b>Economic Development Corporation</b> |                     |                         |                                          |                                        |                                                    |                             |                       |                                        |                      |
| Community/Economic Development          | -                   | 1,671                   | -                                        | -                                      | -                                                  | -                           | -                     | 1,671                                  | 1,671                |
| Total Component Units                   | <u>\$ 4,341,828</u> | <u>\$ 414,142</u>       | <u>\$ 4,944,097</u>                      | <u>\$ 6,048</u>                        | <u>1,158,110</u>                                   | <u>(88)</u>                 | <u>(137,234)</u>      | <u>1,671</u>                           | <u>1,022,459</u>     |
| <b>General Revenues:</b>                |                     |                         |                                          |                                        |                                                    |                             |                       |                                        |                      |
| Sale of Fixed Asset (Loss)              |                     |                         |                                          |                                        | -                                                  | -                           | (196)                 | -                                      | (196)                |
| Investment Earnings                     |                     |                         |                                          |                                        | 50,252                                             | -                           | 2,459                 | 46                                     | 52,757               |
| Local Sources                           |                     |                         |                                          |                                        | 104,259                                            | -                           | -                     | -                                      | 104,259              |
| Other                                   |                     |                         |                                          |                                        | 37,853                                             | -                           | 2,650                 | -                                      | 40,503               |
| <b>Total General Revenues</b>           |                     |                         |                                          |                                        | <u>192,364</u>                                     | <u>-</u>                    | <u>4,913</u>          | <u>46</u>                              | <u>197,323</u>       |
| Change in Net Assets                    |                     |                         |                                          |                                        | <u>1,350,474</u>                                   | <u>(88)</u>                 | <u>(132,321)</u>      | <u>1,717</u>                           | <u>1,219,782</u>     |
| Net Assets - Beginning                  |                     |                         |                                          |                                        | <u>26,030,468</u>                                  | <u>98</u>                   | <u>1,780,135</u>      | <u>4,018</u>                           | <u>27,814,719</u>    |
| <b>Net Assets - Ending</b>              |                     |                         |                                          |                                        | <u>\$ 27,380,942</u>                               | <u>\$ 10</u>                | <u>\$ 1,647,814</u>   | <u>\$ 5,735</u>                        | <u>\$ 29,034,501</u> |

See accompanying notes to financial statements.

## **Notes to the Financial Statements**

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Mackinac, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

##### **A – Reporting Entity:**

The County of Mackinac, Michigan, established October 26, 1818, is a public corporation created under the Constitution and Statutes of the State of Michigan and covers an area of approximately 1,000 square miles with the County seat located in the City of St. Ignace. The County operates under an elected Board of Commissioners (five members) and provides services to its more than eleven thousand residents in many areas: including law enforcement, administration of justice, public housing, public health, social services, and roads.

##### Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

##### **Blended Component Units**

County of Mackinac Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County's operations because its primary purpose is the procurement and management of debt financing for the County.

##### **Discretely Presented Component Units**

The component unit's column in the government-wide financial statements includes the financial data of the other component units of the County. The following is a summary of the component units:

Mackinac County Road Commission - The Mackinac County Road Commission maintains local, state, and federal trunklines within Mackinac County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local governmental units within the County. The Road Commission operates under a Board which consists of three commissioners, who are elected by County residents. The Road Commission is financially accountable to the County for two reasons: (1) The County is secondarily obligated to provide repayment of material notes (2) all general long-term debt issuance, excluding capital lease purchases agreements, requires County authorization.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mackinac County Board of Public Works – The Board of Public Works has the responsibility of administering the various public works project construction and debt services under the provisions of Act 185, Public Act of 1957, as amended. The Board of Public Works is under the general control of the County Board of Commissioners. The County must authorize and approve any long-term debt issues and are secondarily responsible for all obligations.

Mackinac County Housing Commission – Is a nonprofit entity established pursuant to the authority of Act 18 of the Public Act of 1933, as amended, which is governed by a County appointed (five member) board. This is a legally separate entity, but is considered as a component unit due to the County's ability to influence the Housing Commission's actions through representation on the Housing Commission Board because of their financial relationship.

Mackinac County Economic Development Corporation – During 2001, the Mackinac County Economic Development Corporation (EDC) was established pursuant to the provisions of Public Act 338 of 1974, as amended, which is governed by an (eleven person) board of directors appointed by the Mackinac County Board of Commissioners. The EDC may not issue debt without the County's approval.

Component Unit Financial Statements – The financial statements of the Mackinac County Road Commission and the Mackinac County Housing Commission are audited separately and may be obtained from their administration offices at the following locations:

Mackinac County Road Commission  
706 North State Street  
St. Ignace, MI 49871

Mackinac County Housing Commission  
N9174 Kozy Street 50  
Curtis, MI 49820

The funds and account groups associated with the activities of the Mackinac County Board of Public Works are included within the scope of the audit of the basic financial statements. Separate audited financial statements for the component were not issued.

Fiscal Year Ended – All of the County funds and Component Units operate and are reported on a December 31st year end with the exception of the Mackinac County Housing Commission which operates as of June 30.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Jointly Governed Organizations**

Mackinac Straits Hospital Authority – Is a joint municipal hospital authority, organized pursuant to public Act 47, as amended. The Hospital operates an emergency room, acute care, long-term care, and ancillary services to both residents and non-residents of Mackinac County. The County has entered into a Health Service Agreement and the County levied a voter approved millage. In addition, the County leases the Hospital and Medical Care Facility to the Authority. However, the County does not appoint the governing Board, nor do they have any fiscal responsibility. Therefore, it is not considered a component unit of Mackinac County.

Hiawatha Behavioral Health Authority – Is a multi-county agency established in 1986 under the provisions of Act 258, P.S. 1974 as amended in the revised Mental Health Code, to provide mental health services to Mackinac, Schoolcraft, and Chippewa Counties. Mackinac, Schoolcraft, and Chippewa Counties provide annual appropriations to subsidize operations. Hiawatha Behavioral Health is considered a separate authority and is not included as a component unit of any of the counties above.

Luce-Mackinac-Alger-Schoolcraft District Health Department – Is a multi-county agency established to provide public health service to the residents of Luce, Mackinac, Alger, and Schoolcraft Counties. Mackinac and the other participating Counties provide annual appropriations to subsidize operations. The Health Department is a component unit of Luce County.

**B – Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Property Taxes**

The County of Mackinac property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Mackinac as of the preceding December 31st and July 1st.

Although, the County of Mackinac 2004 ad valorem tax is levied and collectible on December 1, 2004 and 2005 ad valorem tax is levied and collectible on July 1, 2005, it is the County of Mackinac's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be from the Delinquent Tax Revolving fund within one year.

The 2004 taxable valuation of the County of Mackinac totaled \$719,672,113, on which ad valorem taxes levied consisted of 4.3620 mills for the County Operating and 1.3123 mills for Hospital Operations, raising \$2,092,806 and \$944,426 respectively. 1/3 of the General fund 2004 levy was recognized in the Revenue Sharing Reserve fund. These amounts are recognized in the respective General and Special Revenue financial statements as tax revenue.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The July 1, 2005 taxable valuation of the County of Mackinac totaled \$761,621,092, on which ad valorem taxes levied consisted of 1.4372 mills for the General fund. This amount is recognized as revenue in the General fund.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

**General Fund**

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Hospital Millage Fund**

This Fund accounts for the collection of tax revenues for health services and the contract for the services with the Mackinac Straits Hospital.

**Revenue Sharing Reserve Fund**

This Fund accounts for the collection of tax revenues for the replacement of State Shared Revenue.

**Mackinac Straits Hospital**

This Fund is used to accumulate resources and pay the principal and interest on the Medical Care Facility Bond.

The County reports the following major proprietary funds:

**Delinquent Tax Revolving Fund**

This fund accounts for the payment to each local unit of government within the County for the delinquent real property taxes outstanding as of March 1, of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the County reports the following fund types:

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity:**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st and July 31st. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain insurance premiums and other expenditures are expensed when purchased.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

|                          |                |
|--------------------------|----------------|
| Buildings                | 40 to 60 years |
| Building Improvements    | 15 to 30 years |
| Roads                    | 10 to 30 years |
| Vehicles                 | 3 to 5 years   |
| Office Equipment         | 5 to 7 years   |
| Computer Equipment       | 3 to 7 years   |
| Infrastructure – Roads   | 8 to 20 years  |
| Infrastructure – Bridges | 12 to 30 years |

Vested Benefits Payable – General County Employees - The County’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Employees' vacation and sick leave benefits are earned at varying amounts depending on various union and non-union personnel policies. Employees may accumulate vacation leave up to 175 hours until termination of employment, at which time they will be compensated in full for the unused portion. All employees may accumulate up to 630 hours of sick leave. However, employees are compensated for 50 percent of their total accumulation at termination.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

|                                             | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> | <u>Component<br/>Units</u> |
|---------------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|----------------------------|----------------------------|
| Cash and Cash Equivalents<br>- Unrestricted | \$ 3,442,903                       | \$ 4,267,347                        | \$ 7,710,250                        | \$ 1,028,141               | \$ 1,670,460               |
| Total                                       | \$ 3,442,903                       | \$ 4,267,347                        | \$ 7,710,250                        | \$ 1,028,141               | \$ 1,670,460               |

|                                                                           | <u>Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> | <u>Component<br/>Units</u> |
|---------------------------------------------------------------------------|-------------------------------|----------------------------|----------------------------|
| Bank Deposits (checking and savings<br>accounts, certificates of deposit) | \$ 7,708,750                  | \$ 1,028,141               | \$ 1,670,310               |
| Petty Cash and Cash on Hand                                               | 1,500                         | -                          | 150                        |
| Total                                                                     | \$ 7,710,250                  | \$ 1,028,141               | \$ 1,670,460               |

|                   | <u>Fair Value</u> | <u>Less Than 1</u> | <u>1 – 5</u> | <u>6 – 10</u> | <u>More Than 10</u> |
|-------------------|-------------------|--------------------|--------------|---------------|---------------------|
| Investments:      |                   |                    |              |               |                     |
| U.S. Treasury     | \$ 250,000        | \$ 250,000         | \$ -         | \$ -          | \$ -                |
| Money Market      | 189,607           | 189,607            | -            | -             | -                   |
| Total Investments | \$ 439,607        | \$ 439,607         | \$ -         | \$ -          | \$ -                |

*Interest rate risk.* The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$439,607 in investments all are in the name of the County.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$8,975,541 of the County's bank balance of \$9,952,956 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - RECEIVABLES**

Receivables in the governmental and business-type activities are as follows:

|                              | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> |
|------------------------------|------------------------------------|-------------------------------------|
| Property Taxes               | \$ 4,035,317                       | \$ 853,354                          |
| Interest and Accounts        | 38,164                             | -                                   |
| Leases                       | 1,595,000                          | -                                   |
| Intergovernmental –<br>Local | <u>216,603</u>                     | <u>11,868</u>                       |
| Total                        | <u>\$ 5,885,084</u>                | <u>\$ 865,222</u>                   |

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

|                                                             | <u>Unearned</u>     | <u>Unavailable</u>  |
|-------------------------------------------------------------|---------------------|---------------------|
| General Fund –<br>Property Taxes                            | \$ -                | \$ 2,123,383        |
| Hospital Millage –<br>Property Taxes                        | -                   | 886,435             |
| Mackinac Straits Hospital –<br>Lease Receivable             | <u>1,595,000</u>    | <u>-</u>            |
| Total Deferred/Unearned<br>Receivable to governmental funds | <u>\$ 1,595,000</u> | <u>\$ 3,009,818</u> |

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

|                                         | <u>Beginning<br/>Balances</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|-----------------------------------------|-------------------------------|--------------------|------------------|----------------------------|
| <b>Governmental Activities:</b>         |                               |                    |                  |                            |
| Capital Assets not being Depreciated:   |                               |                    |                  |                            |
| Land Improvements                       | \$ 22,126                     | \$ -               | \$ -             | \$ 22,126                  |
| Land                                    | 298,114                       | -                  | -                | 298,114                    |
| Construction in Progress                | <u>239,276</u>                | <u>-</u>           | <u>-</u>         | <u>239,276</u>             |
| Subtotal                                | <u>559,516</u>                | <u>-</u>           | <u>-</u>         | <u>559,516</u>             |
| Capital Assets being Depreciated:       |                               |                    |                  |                            |
| Buildings                               | 4,081,468                     | -                  | -                | 4,081,468                  |
| Machinery and Equipment                 | 940,871                       | 157,392            | 133,640          | 964,623                    |
| Airport Improvement                     | <u>48,752</u>                 | <u>-</u>           | <u>-</u>         | <u>48,752</u>              |
| Subtotal                                | <u>5,071,091</u>              | <u>157,392</u>     | <u>133,640</u>   | <u>5,094,843</u>           |
| Less accumulated depreciation for:      |                               |                    |                  |                            |
| Buildings                               | 1,329,890                     | 100,540            | -                | 1,430,430                  |
| Equipment                               | 575,909                       | 93,495             | 108,872          | 560,532                    |
| Airport Improvement                     | <u>1,625</u>                  | <u>3,250</u>       | <u>-</u>         | <u>4,875</u>               |
| Subtotal                                | <u>1,907,424</u>              | <u>197,285</u>     | <u>108,872</u>   | <u>1,995,837</u>           |
| Net Capital Assets Being<br>Depreciated | <u>3,163,667</u>              | <u>(39,893)</u>    | <u>24,768</u>    | <u>3,099,006</u>           |
| Governmental Activity Total             |                               |                    |                  |                            |
| Capital Assets - Net of Depreciation    | <u>\$ 3,723,183</u>           | <u>\$ (39,893)</u> | <u>\$ 24,768</u> | <u>\$ 3,658,522</u>        |

Depreciation expense was charged to programs of the primary government as follows:

|                               |                   |
|-------------------------------|-------------------|
| Governmental Activities:      |                   |
| Judicial                      | \$ 4,792          |
| General Government            | 88,898            |
| Public Safety                 | 92,311            |
| Health and Welfare            | <u>11,284</u>     |
| Total Governmental Activities | <u>\$ 197,285</u> |

**NOTE 5 - CAPITAL ASSETS (Continued)**

A summary of changes in the Road Commission's capital assets are as follows:

|                                              | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|----------------------------------------------|-------------------------------|---------------------|------------------|----------------------------|
| <i>Capital assets not being depreciated:</i> |                               |                     |                  |                            |
| Land                                         | \$ 103,297                    | \$ 179,175          | \$ -             | \$ 282,472                 |
| Land and Improvements                        | <u>13,834,824</u>             | <u>695,926</u>      | <u>-</u>         | <u>14,530,750</u>          |
| Subtotal                                     | <u>13,938,121</u>             | <u>875,101</u>      | <u>-</u>         | <u>14,813,222</u>          |
| <i>Capital assets being depreciated:</i>     |                               |                     |                  |                            |
| Buildings and Improvements                   | 1,640,367                     | -                   | -                | 1,640,367                  |
| Road Equipment                               | 4,873,419                     | 317,882             | 54,147           | 5,137,154                  |
| Shop Equipment                               | 20,706                        | -                   | -                | 20,706                     |
| Office Equipment                             | 95,084                        | 1,178               | -                | 96,262                     |
| Engineer's Equipment                         | 19,947                        | -                   | -                | 19,947                     |
| Depletable Assets                            | 27,578                        | -                   | -                | 27,578                     |
| Infrastructure – Bridges                     | 3,066,716                     | -                   | -                | 3,066,716                  |
| Infrastructure – Roads                       | <u>11,196,164</u>             | <u>1,808,429</u>    | <u>7,393</u>     | <u>12,997,200</u>          |
| Subtotal                                     | <u>20,939,981</u>             | <u>2,127,489</u>    | <u>61,540</u>    | <u>23,005,930</u>          |
| Less accumulated depreciation:               |                               |                     |                  |                            |
| Building                                     | 145,657                       | 36,478              | -                | 182,135                    |
| Road Equipment                               | 3,582,492                     | 536,383             | 54,147           | 4,064,728                  |
| Shop Equipment                               | 16,770                        | 989                 | -                | 17,759                     |
| Office Equipment                             | 75,100                        | 6,432               | -                | 81,532                     |
| Engineer's Equipment                         | 8,477                         | 2,439               | -                | 10,916                     |
| Depletable Assets                            | 17,494                        | -                   | -                | 17,494                     |
| Infrastructure – Bridges                     | 1,474,384                     | 49,256              | -                | 1,523,640                  |
| Infrastructure – Roads                       | <u>4,417,268</u>              | <u>807,217</u>      | <u>7,393</u>     | <u>5,217,092</u>           |
| Subtotal                                     | <u>9,737,642</u>              | <u>1,439,194</u>    | <u>61,540</u>    | <u>11,115,296</u>          |
| Net Capital Assets Being Depreciated         | <u>11,202,339</u>             | <u>688,295</u>      | <u>-</u>         | <u>11,890,634</u>          |
| Total Net Capital Assets                     | <u>\$ 25,140,460</u>          | <u>\$ 1,563,396</u> | <u>\$ -</u>      | <u>\$ 26,703,856</u>       |

Depreciation and depletion expense was charged to the following activities:

Public Works \$ 1,439,194



### NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in the Housing Commission's capital assets are as follows:

|                                                        | <u>Beginning<br/>Balances</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balances</u> |
|--------------------------------------------------------|-------------------------------|---------------------|------------------|----------------------------|
| <i>Capital assets not being depreciated:</i>           |                               |                     |                  |                            |
| Land                                                   | \$ 37,818                     | \$ -                | \$ -             | \$ 37,818                  |
| Construction in Progress                               | <u>-</u>                      | <u>6,048</u>        | <u>-</u>         | <u>6,048</u>               |
| Subtotal                                               | <u>37,818</u>                 | <u>6,048</u>        | <u>-</u>         | <u>43,866</u>              |
| <i>Capital assets being depreciated:</i>               |                               |                     |                  |                            |
| Buildings                                              | 2,641,262                     | -                   | -                | 2,641,262                  |
| Building Improvements                                  | 824,432                       | -                   | -                | 824,432                    |
| Furniture, Equipment and<br>Machinery – Dwellings      | 54,327                        | -                   | -                | 54,327                     |
| Furniture, Equipment and<br>Machinery – Administration | <u>61,627</u>                 | <u>5,607</u>        | <u>-</u>         | <u>67,234</u>              |
| Subtotal                                               | <u>3,581,648</u>              | <u>5,607</u>        | <u>-</u>         | <u>3,587,255</u>           |
| Less accumulated depreciation                          | <u>(1,930,496)</u>            | <u>(116,956)</u>    | <u>655</u>       | <u>(2,046,797)</u>         |
| Net Capital Assets Being<br>Depreciated                | <u>1,651,152</u>              | <u>(111,349)</u>    | <u>655</u>       | <u>1,540,458</u>           |
| Total Net Capital Assets                               | <u>\$ 1,688,970</u>           | <u>\$ (105,301)</u> | <u>\$ 655</u>    | <u>\$ 1,584,324</u>        |

Depreciation expense was charged to the following activities:

Health and Welfare \$ 116,956

### NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The County of Mackinac, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

| DUE FROM OTHER<br>FUNDS | DUE TO OTHER FUNDS |  |
|-------------------------|--------------------|--|
|                         | General<br>Fund    |  |
| Survey Remonumentation  | <u>\$ 101,946</u>  |  |

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)**

**Interfund Transfers**

| TRANSFERS IN | TRANSFERS (OUT)   |                         |                  |                 |                   |
|--------------|-------------------|-------------------------|------------------|-----------------|-------------------|
|              | General Fund      | Revenue Sharing Reserve | Delinquent Tax   | Other Funds     | Total             |
| General Fund | \$ -              | \$ 198,492              | \$ 94,294        | \$ -            | \$ 292,786        |
| All Other    | 338,088           | -                       | -                | 1,625           | 339,713           |
| Total        | <u>\$ 338,088</u> | <u>\$ 198,492</u>       | <u>\$ 94,294</u> | <u>\$ 1,625</u> | <u>\$ 632,499</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - LEASES RECEIVABLE**

**Mackinac County Board of Public Works (Component Unit)** – The County has entered into a number of lease agreements with various municipalities within the County. Under the agreements the County issued bonds that were used for the construction of water and/or sewage disposal systems. The municipalities agreed to pay the County the amount necessary to pay the principal, interest, and paying agent fees as they come due. Upon final payment of the respective bond issue, ownership of the system will revert to the respective municipalities. (See Note 8).

On this basis, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as receivable and deferred revenue.

The future minimum lease payments to be received are as follows:

| Year End December 31 | Board of Public Works |                     |
|----------------------|-----------------------|---------------------|
|                      | Principal             | Interest            |
| 2006                 | \$ 106,000            | \$ 179,865          |
| 2007                 | 108,000               | 175,638             |
| 2008                 | 113,000               | 171,203             |
| 2009                 | 115,000               | 166,410             |
| 2010                 | 115,000               | 161,397             |
| 2011-2015            | 565,000               | 740,156             |
| 2016-2020            | 667,000               | 612,073             |
| 2021-2025            | 838,000               | 444,124             |
| 2026-2030            | 785,000               | 228,482             |
| 2031-2035            | 360,000               | 106,456             |
| 2036-2040            | 320,000               | 27,095              |
| Total                | <u>\$ 4,092,000</u>   | <u>\$ 3,012,899</u> |

### NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

|                                                                                                                                                                                                                                       | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> | <u>Due<br/>Within<br/>One Year</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------|-------------------|---------------------------|------------------------------------|
| <b>Governmental Activities:</b>                                                                                                                                                                                                       |                              |                  |                   |                           |                                    |
| General Obligation Bonds                                                                                                                                                                                                              |                              |                  |                   |                           |                                    |
| \$1,995,000 General Obligation Refunding Medical Facility bonds, Series 2002, due in annual installments increasing from \$115,000 to \$220,000 through May 1, 2014, plus interest ranging from 3.25% to 4.30% payable semi-annually. | \$ 1,735,000                 | \$ -             | \$ 140,000        | \$ 1,595,000              | \$ 140,000                         |
| \$1,300,000 Building Authority Bonds, through Rural Development, due in annual installments increasing from \$40,000 to \$90,000 through September 1, 2012, plus interest at 4.875 payable semi-annually.                             | 1,040,000                    | -                | 40,000            | 1,000,000                 | 40,000                             |
| \$589,000 Building Authority Bonds, through Rural Development, due in annual installments ranging from \$14,000 to \$40,000 through September 1, 2022, with interest of 4.875 payable semi-annually.                                  | <u>490,000</u>               | <u>-</u>         | <u>17,000</u>     | <u>473,000</u>            | <u>18,000</u>                      |
| Total Governmental Activities                                                                                                                                                                                                         | <u>\$ 3,265,000</u>          | <u>\$ -</u>      | <u>\$ 197,000</u> | <u>\$ 3,068,000</u>       | <u>\$ 198,000</u>                  |

Annual debt service requirements to maturity for the above obligations are as follows:

| <u>Year End December 31</u> | <u>Governmental Activities</u> |                     |
|-----------------------------|--------------------------------|---------------------|
|                             | <u>Principal</u>               | <u>Interest</u>     |
| 2006                        | \$ 198,000                     | \$ 131,327          |
| 2007                        | 200,000                        | 123,861             |
| 2008                        | 200,000                        | 115,798             |
| 2009                        | 251,000                        | 106,814             |
| 2010                        | 252,000                        | 96,602              |
| 2011-2015                   | 1,254,000                      | 308,840             |
| 2016-2020                   | 545,000                        | 123,387             |
| 2021-2025                   | <u>168,000</u>                 | <u>10,141</u>       |
| Total                       | <u>\$ 3,068,000</u>            | <u>\$ 1,016,770</u> |

### NOTE 8 - LONG-TERM DEBT (Continued)

A summary of vested benefits payable at December 31, 2005 is as follows:

|            |                   |
|------------|-------------------|
| Vacation   | \$ 61,575         |
| Sick Leave | <u>83,767</u>     |
| TOTALS     | <u>\$ 145,342</u> |

#### Component Units

##### Board of Public Works

The County has constructed several water supply and sewage disposal systems for various townships in the county and is leasing them to the townships that are operating, maintaining, and managing the systems. General Obligation Bonds were issued with the full faith and credit of the townships, villages, cities and County pledged to the payment pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The principal and interest on bonds outstanding are to be paid out of money received from the municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the respective bond issues, ownership of the systems will revert to the townships. Bonds payable at December 31, 2003, per respective construction projects are as follows:

The following is a summary of changes in the long-term debt of the Board of Public Works for the year ended December 31, 2005:

|                                                                                                                                                                                                                                          | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance</u> | <u>Within<br/>One Year</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------|------------------|---------------------------|----------------------------|
| \$145,000 1972 Mackinac County Sanitary Sewage Disposal System Revenue Bonds for Clark Township, maturing serially to 2012 in amounts ranging from \$22,000 to \$24,000 and bearing interest of 5% semiannually.                         | \$ 145,000                   | \$ -             | \$ 1,000         | \$ 144,000                | \$ 24,000                  |
| \$2,475,000 Mackinac County Sanitary Sewage Disposal System #2 Bonds for Clark Township, Series 2002, maturing serially to 2031 in annual amounts ranging from \$45,000 to \$155,000 and bearing interest of 2% to 5.125 % semiannually. | 2,330,000                    | -                | 55,000           | 2,275,000                 | 55,000                     |
| \$90,000 Mackinac County Sewage Disposal System Bonds, Series 1999 for Clark Township, maturing semiannually to 2039 in annual amounts ranging from \$9,000 to \$51,000 and bearing interest of 4.75% semiannually.                      | 863,000                      | -                | 10,000           | 853,000                   | 10,000                     |
| \$90,000 Mackinac County Water Supply System Bonds for Moran Township dated September 1, 1994, due in annual installments of \$6,000 payable through September 1, 2009 with interest ranging from 6.4% to 7.00%.                         | 30,000                       | -                | 6,000            | 24,000                    | 6,000                      |

### NOTE 8 - LONG-TERM DEBT (Continued)

|                                                                                                                                                                                                                                     | Beginning<br>Balance | Increases   | Decreases        | Ending<br>Balance   | Due Within<br>One Year |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------|------------------|---------------------|------------------------|
| \$842,000 Mackinac County Sewage Disposal System Bonds for Brevort Township dated December 20, 1999, due in annual installments Increasing from \$10,000 to \$46,000 through December 1, 2032 with interest of 3.25% semi-annually. | <u>806,000</u>       | <u>-</u>    | <u>10,000</u>    | <u>796,000</u>      | <u>11,000</u>          |
| Total Board of Public Works                                                                                                                                                                                                         | <u>\$ 4,174,000</u>  | <u>\$ -</u> | <u>\$ 82,000</u> | <u>\$ 4,092,000</u> | <u>\$ 106,000</u>      |

Annual debt service requirements to maturity for the above obligations are as follows:

| Year End December 31 | Board of Public Works |                     |
|----------------------|-----------------------|---------------------|
|                      | Principal             | Interest            |
| 2006                 | \$ 106,000            | \$ 179,865          |
| 2007                 | 108,000               | 175,638             |
| 2008                 | 113,000               | 171,203             |
| 2009                 | 115,000               | 166,410             |
| 2010                 | 115,000               | 161,397             |
| 2011-2015            | 565,000               | 740,156             |
| 2016-2020            | 667,000               | 612,073             |
| 2021-2025            | 838,000               | 444,124             |
| 2026-2030            | 785,000               | 228,482             |
| 2031-2035            | 360,000               | 106,456             |
| 2036-2040            | <u>320,000</u>        | <u>27,095</u>       |
| Total                | <u>\$ 4,092,000</u>   | <u>\$ 3,012,899</u> |

The following is a summary of changes in the long-term debt of the Road Commission for the year ended December 31, 2005:

|                           | Beginning<br>Balance | Increases         | Decreases         | Ending<br>Balance   | Due Within<br>One Year |
|---------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Installment Notes –       |                      |                   |                   |                     |                        |
| Equipment 2000            | \$ 272,141           | \$ -              | \$ 272,141        | \$ -                | \$ -                   |
| Equipment 2001            | 50,615               | -                 | 24,901            | 25,714              | 25,714                 |
| Equipment 2002            | 126,713              | -                 | 65,652            | 61,061              | 52,438                 |
| Equipment 2005            | -                    | 38,518            | 29,018            | 9,500               | 9,500                  |
|                           | <u>449,469</u>       | <u>38,518</u>     | <u>391,712</u>    | <u>96,275</u>       | <u>87,652</u>          |
| Bonds and Notes Payable – |                      |                   |                   |                     |                        |
| Bank Note                 | 194,000              | 180,000           | 95,000            | 279,000             | 279,000                |
| MTF Bonds 2001            | 900,000              | -                 | 35,000            | 865,000             | 35,000                 |
| MTF Bonds 2001A           | <u>900,000</u>       | <u>-</u>          | <u>35,000</u>     | <u>865,000</u>      | <u>35,000</u>          |
|                           | <u>1,994,000</u>     | <u>180,000</u>    | <u>165,000</u>    | <u>2,009,000</u>    | <u>349,000</u>         |
| Other liabilities –       |                      |                   |                   |                     |                        |
| Accrued Sick Vacation     | 63,622               | 5,436             | -                 | 69,058              | -                      |
| MDOT Settlement           | 36,600               | -                 | 9,150             | 27,450              | 9,150                  |
| Capital Lease 2004        | <u>5,957</u>         | <u>-</u>          | <u>1,330</u>      | <u>4,627</u>        | <u>1,861</u>           |
|                           | <u>106,179</u>       | <u>5,436</u>      | <u>10,480</u>     | <u>101,135</u>      | <u>11,011</u>          |
| Total                     | <u>\$ 2,549,648</u>  | <u>\$ 223,954</u> | <u>\$ 567,192</u> | <u>\$ 2,206,410</u> | <u>\$ 447,663</u>      |

**NOTE 8 - LONG-TERM DEBT (Continued)**

Significant details regarding outstanding long-term liabilities are presented below:

**Installment Notes –**

In September 2000, the Road Commission borrowed \$1,100,000 for the purchase of several pieces of equipment to replace equipment destroyed in the garage fire. The note was payable in ten semi-annual installments commencing March 22, 2001 through September 22, 2005.

In November 2000, the Road Commission borrowed \$138,000 for the purchase of a motor grader. The note was payable monthly in the amount of \$2,300 plus interest of 5.480 percent annually until December 20, 2005.

In December 2001, the Road Commission borrowed \$119,342 for the purchase of an excavator. The note is payable monthly in the amount of \$2,217 including interest of 4.3516 percent annually until December 28, 2006. The principal balance at December 31, 2005 is \$25,714.

In November 2002, the Road Commission borrowed \$55,306 for the purchase of a roller. The note was payable in monthly installments until November of 2005 in the amount of \$1,536.

In February 2002, the Road Commission borrowed \$242,966 for the purchase of two loaders. The note is payable monthly in the amount of \$4,503 including interest of 4.246 percent annually until February of 2007. The principal balance at December 31, 2005 is \$61,061.

In May 2005, the Road Commission borrowed \$28,500 for the purchase of a V-Bottom Trailer. The note is payable monthly in the amount of \$2,500, commencing June 5, 2005 through March 5, 2006, with the balance of \$2,000 due April 5, 2006. The balance at December 31, 2005 is \$9,500.

The annual requirements to amortize the installment rate liability outstanding at December 31, 2005 are as follows:

| Year Ending<br>December 31, | Installment<br>Notes 2001 |               | Installment<br>Notes 2002 |                 | Installment<br>Notes 2005 |
|-----------------------------|---------------------------|---------------|---------------------------|-----------------|---------------------------|
|                             | Principal                 | Interest      | Principal                 | Interest        | Principal                 |
| 2006                        | \$ 25,714                 | \$ 869        | \$ 52,438                 | \$ 1,594        | \$ 9,500                  |
| 2007                        | -                         | -             | 8,623                     | 48              | -                         |
|                             | <u>\$ 25,714</u>          | <u>\$ 869</u> | <u>\$ 61,061</u>          | <u>\$ 1,642</u> | <u>\$ 9,500</u>           |

**NOTE 8 - LONG-TERM DEBT (Continued)****MTF Note – Series 2003 –**

The County of Mackinac, Michigan issued a Michigan Transportation Fund Reserve Note for \$500,000, of which \$320,000 was drawn on June 5, 2003, and \$180,000 was drawn on August 3, 2005. The note was issued under and in full compliance with the constitution and statutes of the State of Michigan, including specifically Act 143, Public Acts of Michigan, 1943 as amended. The note is issued in anticipation of and is payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 143.

Principal on the note is due on October 1, 2006, with interest at a rate of 3.35 percent per annum. The principle balance at December 31, 2005 is \$279,000.

**MTF Bonds –**

The County of Mackinac, Michigan issued \$995,000 of Michigan Transportation Fund Bonds, Series 2001, dated July 11, 2001 pursuant to the provision of Act 202, Public of Michigan of 1943, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202. The proceeds from the bonds were for the construction, improvement, and repair of various roads in Mackinac County and to purchase equipment, which is necessary and incidental thereto.

Principal on the bonds is due on July 1, 2006 through 2021 with interest due semi-annually on January 1 and July 1 at interest rates ranging from 4.1% to 5.55%.

The County of Mackinac, Michigan issued \$995,000 of Michigan Transportation Fund Bonds, Series 2001A, dated June 12, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The bonds are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202. The proceeds from the bonds were for the construction, improvement, and repair of various roads in Mackinac County and to construct a garage, which is necessary and incidental thereto.

Principal on the bonds is due on June 1, 2006 through 2021 with interest due semi-annually on June 1 and December 1 at interest rates ranging from 4.1% to 5.25%.

**NOTE 8 - LONG-TERM DEBT (Continued)**

As additional security for the payment of the principal of and interest on both Bond issues, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The MTF Series 2001 in 2006 through 2011 are not subject to redemption prior to maturity. Bonds maturing on or after July 1, 2012 are subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after July 1, 2011. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the Bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

The MTF Series 2001A in 2006 through 2011 shall not be subject to redemption prior to maturity. Bonds maturing on or after July 1, 2012 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any note or more interest payment dates on or after July 1, 2011. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the Bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

The annual requirements to amortize the bonds outstanding as December 31, 2005, including interest payments are as follows:

| Year Ending<br>December 31, | MTF Note          |                 | MTF Bonds Series 2001 |                   | MTF Bond Series 2001A |                   |
|-----------------------------|-------------------|-----------------|-----------------------|-------------------|-----------------------|-------------------|
|                             | Principal         | Interest        | Principal             | Interest          | Principal             | Interest          |
| 2006                        | \$ 279,000        | \$ 9,347        | \$ 35,000             | \$ 44,600         | \$ 35,000             | \$ 41,365         |
| 2007                        | -                 | -               | 40,000                | 43,060            | 40,000                | 39,828            |
| 2008                        | -                 | -               | 40,000                | 41,260            | 40,000                | 38,168            |
| 2009                        | -                 | -               | 40,000                | 39,420            | 40,000                | 36,456            |
| 2010                        | -                 | -               | 45,000                | 37,540            | 45,000                | 32,561            |
| 2001-2021                   | -                 | -               | 665,000               | 235,571           | 665,000               | 209,390           |
|                             | <u>\$ 279,000</u> | <u>\$ 9,347</u> | <u>\$ 865,000</u>     | <u>\$ 441,451</u> | <u>\$ 865,000</u>     | <u>\$ 397,768</u> |



**NOTE 9 - RISK MANAGEMENT**

The County is exposed to various risks of loss related to: torts, errors, and omissions, injuries to employees, natural disaster, and the damage, destruction or theft of assets. The County is a member in the Michigan Municipal Risk Management Authority (MMRMA) for risk of loss relating to its property and general liability (including auto liability and vehicle physical damage).

The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and property liability.

The County has joined the numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-insured retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

State Pool members' limits of coverage (per occurrence) are 10 million for liability and approximately \$9,800,000 for property. If a covered loss exceeds these limits, or if for any reason MMRMA's resources are depleted, the payment of all unpaid losses is the sole obligation of the County.

**Component Unit (Road Commission)**

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool. The "Pool" was established pursuant to the laws of the State of Michigan, which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools and to prescribe conditions to the performance of those contracts.

The Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Mackinac County Road Commission pays an annual premium to the Pool for general liability, excess liability, errors and omissions, auto liability, auto comprehensive, auto collision, commercial crime, equipment and building and contracts. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Association Self Insurance Fund for worker's compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool.

**NOTE 9 - RISK MANAGEMENT (Continued)**

The Road Commission continues to carry commercial insurance for employee health and accident insurance, but has opted to participate in a self-insurance program that bases premiums on the Road Commission experience and provides for stop loss coverage. Premiums are adjusted every three months.

**NOTE 10 - CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2005.

In the normal course of its operations, Mackinac County often becomes a party to various claims and lawsuits. In the opinion of management and legal counsel, if any of these claims should result in an unfavorable resolution, the liability would be limited to its deductible under insurance policies. The insurer would pay the losses and there should be no material effect on the financial position of the County.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS****Description of Plan and Plan Assets**

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2004.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**
Funding Policy

The obligation to contribute to, and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the year ended December 31, 2005, the County's contributions totaling \$331,759 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The Employer normal cost is for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

|                                         | 2002         | 2003         | 2004         |
|-----------------------------------------|--------------|--------------|--------------|
| Actuarial Value of Assets               | \$ 6,323,694 | \$ 6,979,504 | \$ 7,516,295 |
| Actuarial Accrued Liability             | 8,558,989    | 9,527,188    | 9,956,056    |
| Unfunded AAL                            | 2,235,295    | 2,547,684    | 2,439,761    |
| Funded Ratio                            | 74%          | 73%          | 75%          |
| Covered Payroll                         | 1,952,040    | 2,049,163    | 1,822,206    |
| UAAL as a Percentage of Covered Payroll | 115%         | 124%         | 134%         |

| Year Ended Dec 31 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|---------------------------|-------------------------------|------------------------|
| 2003              | \$ 351,801                | 100%                          | 0                      |
| 2004              | 327,804                   | 100%                          | 0                      |
| 2005              | 331,759                   | 100%                          | 0                      |

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)****ROAD COMMISSION**Description of Plan and Plan Assets

The Mackinac County Road Commission participates in the Michigan Municipal Employees Retirement System (MERS); a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The plan adopted by the Board of County Road Commissioners requires general employees to contribute 4.36% of their annual compensation with 0% to 2% required for salaried and supervisory employees. The Road Commission is required to contribute at an actuarially determined rate; the weighted average rate for 2005 was 16.79% for general employees, 43.16% for salaried employees. The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commission, depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2005, the Road Commission's annual pension cost of \$210,492 for MERS was equal to the Road Commission's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over a period of 30 years for positive unfunded liabilities and 10 years for negative unfunded liabilities.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Three year trend information for GASB Statement No. 27

| <u>Year<br/>Ended<br/>Dec 31</u> | <u>Annual<br/>Pension<br/>Cost (APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|----------------------------------|------------------------------------------|----------------------------------------------|---------------------------------------|
| 2003                             | 198,520                                  | 100%                                         | 0%                                    |
| 2004                             | 210,492                                  | 100%                                         | 0%                                    |
| 2005                             | 210,492                                  | 100%                                         | 0%                                    |

Required Supplementary Information for GASB Statement No. 27

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Unfunded<br/>Actuarial<br/>Accrued<br/>Liability<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>UAAL as<br/>a Percent<br/>of<br/>Covered<br/>Payroll</u> |
|-----------------------------------------|------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------|-------------------------|----------------------------|-------------------------------------------------------------|
| 2002                                    | \$ 3,042,800                             | \$ 5,081,224                                         | \$ 2,038,424                                                       | 60%                     | \$ 822,191                 | 248%                                                        |
| 2003                                    | 3,210,430                                | 5,293,620                                            | 2,083,190                                                          | 61%                     | 833,963                    | 249%                                                        |
| 2004                                    | 3,393,555                                | 5,687,076                                            | 2,293,521                                                          | 60%                     | 868,395                    | 264%                                                        |

**NOTE 12 - LEASES**

Capital Leases – The County leases vehicles under capital lease with yearly lease payments ranging from \$4,895 to \$39,800, including interest rates ranging from 5.15% to 6.75%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The vehicles have been included with the fixed assets of the County. The future minimum lease obligations and the net present values are as follows:

|                                        |                   |
|----------------------------------------|-------------------|
| 2006                                   | 50,596            |
| 2007                                   | 45,702            |
| 2008                                   | <u>45,701</u>     |
| Total minimum lease payments           | 141,999           |
| Less amount representing interest      | <u>(13,410)</u>   |
| Present value of minimum lease payment | <u>\$ 128,589</u> |

**NOTE 13 - POST-RETIREMENT BENEFITS**

**Primary Government**

In addition to the pension benefits described in Note 11, Mackinac County provides a portion of post-retirement health care benefits to all employees that retired from the County with at least fifteen years of service. The County pays from between 15% for employees who retire with fifteen years of service to 50% for employees who retire with twenty-five years of service of the single rate. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis and amounted to \$10,080 for 2005 with six eligible participants.

**Component Unit (Road Commission)**

In addition to the pension benefits describe in Note 11, the Mackinac County Road Commission provides post-retirement health care to eligible employees who retire from the Road Commission on or after attaining retirement age with at least six years of service. Expenditures for post-retirement health care benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2005, these costs amount to approximately \$44,791 with four eligible participants.

**NOTE 14 - NET ASSETS RESTRICTED/FUND EQUITY RESERVES**

Net assets restrictions/fund equity reserve can be described as follows:

|                         |           |                                   |
|-------------------------|-----------|-----------------------------------|
| Revenue Sharing Reserve | 1,720,252 | Restricted for Revenue Sharing    |
| Delinquent Tax          | 388,973   | Restricted for Tax Administration |

**NOTE 15 - DESIGNATED FUND BALANCE**

The various governing boards of the County have the power to designate or set aside, all or a portion of unreserved fund balance for specific purposes. The following is a summary of designated fund balance of December 31, 2005:

| <u>Fund</u>      | <u>Description</u>   | <u>Amount</u>       |
|------------------|----------------------|---------------------|
| General Fund     | Capital Improvements | \$ 1,316,651        |
| Hospital Millage | Hospital Purposes    | 21                  |
| Nonmajor Fund    |                      |                     |
| 911 Landlines    | Equipment            | <u>5,000</u>        |
|                  |                      | <u>\$ 1,321,672</u> |

**NOTE 16 - RETAINED EARNINGS RESERVED**

In addition, there is \$388,973 of retained earnings reserved in the Delinquent Tax Revolving Fund for the tax sale.

## **Required Supplemental Information**

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# County of Mackinac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2005

|                          | Budgeted Amounts |              | Actual Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------|------------------|--------------|----------------|-----------------------------------------------------------|
|                          | Original         | Final        |                |                                                           |
| REVENUES:                |                  |              |                |                                                           |
| Taxes and Penalties      | \$ 2,786,315     | \$ 3,481,702 | \$ 3,052,731   | \$ (428,971)                                              |
| Licenses and Permits     | 9,000            | 9,000        | 8,779          | (221)                                                     |
| Federal Grants           | 345,293          | 433,605      | 421,015        | (12,590)                                                  |
| State Grants             | 1,178,585        | 741,822      | 709,700        | (32,122)                                                  |
| Local Contributions      | 66,215           | 70,465       | 81,440         | 10,975                                                    |
| Charges for Services     | 600,910          | 650,809      | 789,761        | 138,952                                                   |
| Fines & Forfeits         | 9,500            | 10,230       | 7,653          | (2,577)                                                   |
| Interest & Rentals       | 45,125           | 51,477       | 97,706         | 46,229                                                    |
| Other Revenues           | 43,200           | 49,560       | 25,899         | (23,661)                                                  |
| TOTAL REVENUES           | 5,084,143        | 5,498,670    | 5,194,684      | (303,986)                                                 |
| EXPENDITURES:            |                  |              |                |                                                           |
| Legislative:             |                  |              |                |                                                           |
| Board of Commissioners   | 131,074          | 186,806      | 177,272        | 9,534                                                     |
| General Government:      |                  |              |                |                                                           |
| Administrator            | 123,841          | 406          | 406            | -                                                         |
| Elections                | 11,060           | 10,990       | 6,237          | 4,753                                                     |
| County Clerk             | 205,635          | 205,635      | 200,084        | 5,551                                                     |
| Equalization             | 297,120          | 282,120      | 263,619        | 18,501                                                    |
| Prosecuting Attorney     | 344,196          | 356,029      | 347,392        | 8,637                                                     |
| Register of Deeds        | 175,627          | 176,227      | 168,575        | 7,652                                                     |
| County Treasurer         | 179,482          | 178,383      | 179,734        | (1,351)                                                   |
| Cooperative Extension    | 149,016          | 149,016      | 140,125        | 8,891                                                     |
| Data Processing          | 53,100           | 53,100       | 40,264         | 12,836                                                    |
| Building Authority       | 550              | 550          | -              | 550                                                       |
| Court House and Grounds  | 326,450          | 326,450      | 276,043        | 50,407                                                    |
| Microfilm Department     | 2,000            | 2,485        | 1,033          | 1,452                                                     |
| Planning Commission      | 86,650           | 86,650       | 23,362         | 63,288                                                    |
| Airport                  | 98,028           | 98,256       | 99,484         | (1,228)                                                   |
| Legal Services           | 11,000           | 11,000       | 3,095          | 7,905                                                     |
| Audit Services           | 24,000           | 34,081       | 34,081         | -                                                         |
| Total general government | 2,087,755        | 1,971,378    | 1,783,534      | 187,844                                                   |
| Judicial:                |                  |              |                |                                                           |
| Circuit Court            | 91,360           | 101,317      | 93,813         | 7,504                                                     |
| Family Court             | 96,365           | 96,365       | 51,968         | 44,397                                                    |
| District Court           | 311,233          | 298,409      | 300,934        | (2,525)                                                   |
| Friend of the Court      | 190,960          | 190,960      | 187,699        | 3,261                                                     |
| Jury Board               | 5,615            | 5,615        | 4,067          | 1,548                                                     |
| Public Defender          | 67,633           | 67,633       | 67,633         | -                                                         |
| Probate Court            | 318,232          | 318,232      | 314,444        | 3,788                                                     |
| Juvenile Coordinator     | 16,053           | 16,053       | 15,225         | 828                                                       |
| Total judicial           | 1,097,451        | 1,094,584    | 1,035,783      | 58,801                                                    |



# County of Mackinac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2005

|                                                                                                              | Budgeted Amounts |             | Actual Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--------------------------------------------------------------------------------------------------------------|------------------|-------------|----------------|-----------------------------------------------------------|
|                                                                                                              | Original         | Final       |                |                                                           |
| Public Safety:                                                                                               |                  |             |                |                                                           |
| Sheriff                                                                                                      | 449,241          | 470,410     | 465,322        | 5,088                                                     |
| Secondary Road Patrol                                                                                        | 66,963           | 69,463      | 64,487         | 4,976                                                     |
| Bois Blanc Deputy                                                                                            | 40,913           | 40,913      | 43,034         | (2,121)                                                   |
| SANE                                                                                                         | 13,000           | 13,000      | 13,000         | -                                                         |
| Marine Law Enforcement                                                                                       | 154,730          | 43,441      | 31,485         | 11,956                                                    |
| Snowmobile Law Enforcement                                                                                   | 27,748           | 27,748      | 11,922         | 15,826                                                    |
| Forest Services                                                                                              | 1,504            | -           | -              | -                                                         |
| County Jail                                                                                                  | 753,616          | 787,616     | 776,229        | 11,387                                                    |
| Emergency Preparedness                                                                                       | 23,896           | 92,885      | 102,703        | (9,818)                                                   |
| Animal Control                                                                                               | 55,763           | 62,533      | 56,521         | 6,012                                                     |
| Total public safety                                                                                          | 1,587,374        | 1,608,009   | 1,564,703      | 43,306                                                    |
| Health And Welfare:                                                                                          |                  |             |                |                                                           |
| Department of Health & Welfare                                                                               | 104,009          | 104,009     | 88,713         | 15,296                                                    |
| Medical Examiner                                                                                             | 37,214           | 37,214      | 40,993         | (3,779)                                                   |
| Veterans Affairs                                                                                             | 9,736            | 9,736       | 12,370         | (2,634)                                                   |
| Housing                                                                                                      | -                | 616         | 616            | -                                                         |
| Housing Board                                                                                                | 2,200            | 2,200       | 2,824          | (624)                                                     |
| Economic Development                                                                                         | 52,900           | 52,900      | 27,244         | 25,656                                                    |
| Total health and welfare                                                                                     | 206,059          | 206,675     | 172,760        | 33,915                                                    |
| Other Expenditures:                                                                                          |                  |             |                |                                                           |
| Fringe Benefits                                                                                              | 44,828           | 51,541      | 53,783         | (2,242)                                                   |
| Insurance                                                                                                    | 179,009          | 199,009     | 188,074        | 10,935                                                    |
| Contingency                                                                                                  | 50,000           | (400)       | -              | (400)                                                     |
| Other                                                                                                        | 1,100            | 1,600       | 485            | 1,115                                                     |
| Total other expenditures                                                                                     | 274,937          | 251,750     | 242,342        | 9,408                                                     |
| TOTAL EXPENDITURES                                                                                           | 5,384,650        | 5,319,202   | 4,976,394      | 342,808                                                   |
| EXCESS OF REVENUES OVER EXPENDITURES                                                                         | (300,507)        | 179,468     | 218,290        | 38,822                                                    |
| OTHER FINANCING SOURCES (USES):                                                                              |                  |             |                |                                                           |
| Operating Transfers In                                                                                       | 140,000          | 140,000     | 292,786        | 152,786                                                   |
| Operating Transfers Out                                                                                      | (336,500)        | (336,500)   | (338,088)      | (1,588)                                                   |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br>FINANCING SOURCES OVER EXPENDITURES<br>AND OTHER FINANCING USES | \$ (497,007)     | \$ (17,032) | 172,988        | \$ 190,020                                                |
| FUND BALANCES, JANUARY 1                                                                                     |                  |             | 1,781,399      |                                                           |
| FUND BALANCES, DECEMBER 31                                                                                   |                  |             | \$ 1,954,387   |                                                           |

# County of Mackinac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Revenue Sharing Reserve Fund For the Year Ended December 31, 2005

|                                                                                                                       | Budgeted Amounts |                   | Actual Amounts      | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|-----------------------------------------------------------------------------------------------------------------------|------------------|-------------------|---------------------|-----------------------------------------------------------|
|                                                                                                                       | Original         | Final             |                     |                                                           |
| REVENUES:                                                                                                             |                  |                   |                     |                                                           |
| Taxes and Penalties                                                                                                   | \$ -             | \$ -              | \$ 1,008,314        | \$ 1,008,314                                              |
| Other Revenues                                                                                                        | -                | -                 | 7,867               | 7,867                                                     |
| <b>TOTAL REVENUES</b>                                                                                                 | <b>-</b>         | <b>-</b>          | <b>1,016,181</b>    | <b>1,016,181</b>                                          |
| EXPENDITURES:                                                                                                         |                  |                   |                     |                                                           |
| General Government                                                                                                    | -                | -                 | -                   | -                                                         |
| <b>TOTAL EXPENDITURES</b>                                                                                             | <b>-</b>         | <b>-</b>          | <b>-</b>            | <b>-</b>                                                  |
| <b>EXCESS OF REVENUES (EXPENDITURES)</b>                                                                              | <b>-</b>         | <b>-</b>          | <b>1,016,181</b>    | <b>\$ 1,016,181</b>                                       |
| OTHER FINANCING SOURCES (USES):                                                                                       |                  |                   |                     |                                                           |
| Operating Transfers In                                                                                                | -                | 1,100,000         | -                   | (1,100,000)                                               |
| Operating Transfers Out                                                                                               | -                | (300,000)         | (198,492)           | 101,508                                                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES<br/>AND OTHER FINANCING USES</b> | <b>\$ -</b>      | <b>\$ 800,000</b> | <b>817,689</b>      | <b>\$ 17,689</b>                                          |
| FUND BALANCE, JANUARY 1                                                                                               |                  |                   | 902,563             |                                                           |
| FUND BALANCE, DECEMBER 31                                                                                             |                  |                   | <u>\$ 1,720,252</u> |                                                           |

# County of Mackinac, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Hospital Millage Fund For the Year Ended December 31, 2005

|                                       | Budgeted Amounts |             | Actual Amounts | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|---------------------------------------|------------------|-------------|----------------|-----------------------------------------------------------|
|                                       | Original         | Final       |                |                                                           |
| REVENUES:                             |                  |             |                |                                                           |
| Taxes and Penalties                   | \$ 950,800       | \$ 950,800  | \$ 939,614     | \$ (11,186)                                               |
| Interest & Rentals                    | 800              | 800         | 541            | (259)                                                     |
| <br>TOTAL REVENUES                    | <br>951,600      | <br>951,600 | <br>940,155    | <br>(11,445)                                              |
| <br>EXPENDITURES:                     |                  |             |                |                                                           |
| Health and Welfare                    | 951,600          | 951,600     | 943,381        | 8,219                                                     |
| <br>TOTAL EXPENDITURES                | <br>951,600      | <br>951,600 | <br>943,381    | <br>8,219                                                 |
| <br>EXCESS OF REVENUES (EXPENDITURES) | <br>\$ -         | <br>\$ -    | <br>(3,226)    | <br>\$ (3,226)                                            |
| <br>FUND BALANCE, JANUARY 1           |                  |             | <br>3,247      |                                                           |
| <br>FUND BALANCE, DECEMBER 31         |                  |             | <br>\$ 21      |                                                           |

## **Other Supplemental Information**

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# County of Mackinac, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

|                                   | Special Revenue Funds     |                        |                      |                       |                        |                     |                           |                          |                   |
|-----------------------------------|---------------------------|------------------------|----------------------|-----------------------|------------------------|---------------------|---------------------------|--------------------------|-------------------|
|                                   | Liquor Law<br>Enforcement | Friend of<br>the Court | Family<br>Counseling | Emergency<br>Planning | Pass-Through<br>Grants | R.O.D<br>Automation | Survey<br>Remonumentation | Community<br>Corrections | 911<br>Program    |
| ASSETS:                           |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Cash and Equivalents              | \$ 30,602                 | \$ 12,865              | \$ 19,860            | \$ 4,389              | \$ -                   | \$ 47,885           | \$ -                      | \$ 30,821                | \$ 504,649        |
| Accounts Receivable               | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | 15,156            |
| Due from Other Governmental Units | -                         | -                      | -                    | -                     | -                      | -                   | 101,951                   | -                        | -                 |
| TOTAL ASSETS                      | <u>\$ 30,602</u>          | <u>\$ 12,865</u>       | <u>\$ 19,860</u>     | <u>\$ 4,389</u>       | <u>\$ -</u>            | <u>\$ 47,885</u>    | <u>\$ 101,951</u>         | <u>\$ 30,821</u>         | <u>\$ 519,805</u> |
| LIABILITIES:                      |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Due to Other Funds                | \$ -                      | \$ -                   | \$ -                 | \$ -                  | \$ -                   | \$ -                | \$ 101,946                | \$ -                     | \$ -              |
| Accounts Payable                  | -                         | -                      | -                    | -                     | -                      | -                   | -                         | 149                      | 127               |
| Accrued Liabilities               | -                         | -                      | -                    | -                     | -                      | -                   | -                         | 435                      | 455               |
| TOTAL LIABILITIES                 | <u>-</u>                  | <u>-</u>               | <u>-</u>             | <u>-</u>              | <u>-</u>               | <u>-</u>            | <u>101,946</u>            | <u>584</u>               | <u>582</u>        |
| FUND EQUITY:                      |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Fund Balances:                    |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Unreserved:                       |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Designated                        | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | 5,000             |
| Undesignated                      | 30,602                    | 12,865                 | 19,860               | 4,389                 | -                      | 47,885              | 5                         | 30,237                   | 514,223           |
| TOTAL FUND EQUITY                 | <u>30,602</u>             | <u>12,865</u>          | <u>19,860</u>        | <u>4,389</u>          | <u>-</u>               | <u>47,885</u>       | <u>5</u>                  | <u>30,237</u>            | <u>519,223</u>    |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 30,602</u>          | <u>\$ 12,865</u>       | <u>\$ 19,860</u>     | <u>\$ 4,389</u>       | <u>\$ -</u>            | <u>\$ 47,885</u>    | <u>\$ 101,951</u>         | <u>\$ 30,821</u>         | <u>\$ 519,805</u> |

# County of Mackinac, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

| Special Revenue Funds             |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
|-----------------------------------|------------------|------------------------------------|------------------------|-----------------|---------------------------------|------------------------------|------------------|-------------------|-----------------------|
|                                   | 911<br>Wireless  | Correction's<br>Officer's Training | Probation<br>Oversight | Law<br>Library  | Airport Terminal<br>Improvement | Michigan<br>Justice Training | Township<br>Road | Child<br>Care     | In Home<br>Child Care |
| ASSETS:                           |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Cash and Equivalents              | \$ 50,375        | \$ 3,399                           | \$ 2,776               | \$ 3,277        | \$ 11,107                       | \$ 4,358                     | \$ 10,000        | \$ 104,129        | \$ -                  |
| Accounts Receivable               | 23,008           | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| Due from Other Governmental Units | -                | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| TOTAL ASSETS                      | <u>\$ 73,383</u> | <u>\$ 3,399</u>                    | <u>\$ 2,776</u>        | <u>\$ 3,277</u> | <u>\$ 11,107</u>                | <u>\$ 4,358</u>              | <u>\$ 10,000</u> | <u>\$ 104,129</u> | <u>\$ -</u>           |
| LIABILITIES:                      |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Due to Other Funds                | \$ -             | \$ -                               | \$ -                   | \$ -            | \$ -                            | \$ -                         | \$ -             | \$ -              | \$ -                  |
| Accounts Payable                  | 63               | -                                  | 80                     | 870             | -                               | -                            | -                | 2,160             | -                     |
| Accrued Liabilities               | 173              | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| TOTAL LIABILITIES                 | <u>236</u>       | <u>-</u>                           | <u>80</u>              | <u>870</u>      | <u>-</u>                        | <u>-</u>                     | <u>-</u>         | <u>2,160</u>      | <u>-</u>              |
| FUND EQUITY:                      |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Fund Balances:                    |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Unreserved:                       |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Designated                        | -                | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| Undesignated                      | 73,147           | 3,399                              | 2,696                  | 2,407           | 11,107                          | 4,358                        | 10,000           | 101,969           | -                     |
| TOTAL FUND EQUITY                 | <u>73,147</u>    | <u>3,399</u>                       | <u>2,696</u>           | <u>2,407</u>    | <u>11,107</u>                   | <u>4,358</u>                 | <u>10,000</u>    | <u>101,969</u>    | <u>-</u>              |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 73,383</u> | <u>\$ 3,399</u>                    | <u>\$ 2,776</u>        | <u>\$ 3,277</u> | <u>\$ 11,107</u>                | <u>\$ 4,358</u>              | <u>\$ 10,000</u> | <u>\$ 104,129</u> | <u>\$ -</u>           |

# County of Mackinac, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2005

|                                   | Special Revenue Funds |                    |                  |                         | Debt<br>Service Funds      |                     |
|-----------------------------------|-----------------------|--------------------|------------------|-------------------------|----------------------------|---------------------|
|                                   | Veteran's<br>Trust    | Substance<br>Abuse | Plat<br>Book     | Victim's<br>Restitution | Courthouse<br>Debt Service | Total               |
| ASSETS:                           |                       |                    |                  |                         |                            |                     |
| Cash and Equivalents              | \$ 228                | \$ -               | \$ 40,428        | \$ 3,801                | \$ -                       | \$ 884,949          |
| Accounts Receivable               | -                     | -                  | -                | -                       | -                          | 38,164              |
| Due from Other Governmental Units | -                     | -                  | -                | -                       | -                          | 101,951             |
| TOTAL ASSETS                      | <u>\$ 228</u>         | <u>\$ -</u>        | <u>\$ 40,428</u> | <u>\$ 3,801</u>         | <u>\$ -</u>                | <u>\$ 1,025,064</u> |
| LIABILITIES:                      |                       |                    |                  |                         |                            |                     |
| Due to Other Funds                | \$ -                  | \$ -               | \$ -             | \$ -                    | \$ -                       | \$ 101,946          |
| Accounts Payable                  | -                     | -                  | -                | -                       | -                          | 3,449               |
| Accrued Liabilities               | -                     | -                  | -                | -                       | -                          | 1,063               |
| TOTAL LIABILITIES                 | <u>-</u>              | <u>-</u>           | <u>-</u>         | <u>-</u>                | <u>-</u>                   | <u>106,458</u>      |
| FUND EQUITY:                      |                       |                    |                  |                         |                            |                     |
| Fund Balances:                    |                       |                    |                  |                         |                            |                     |
| Unreserved:                       |                       |                    |                  |                         |                            |                     |
| Designated                        | -                     | -                  | -                | -                       | -                          | 5,000               |
| Undesignated                      | 228                   | -                  | 40,428           | 3,801                   | -                          | 913,606             |
| TOTAL FUND EQUITY                 | <u>228</u>            | <u>-</u>           | <u>40,428</u>    | <u>3,801</u>            | <u>-</u>                   | <u>918,606</u>      |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 228</u>         | <u>\$ -</u>        | <u>\$ 40,428</u> | <u>\$ 3,801</u>         | <u>\$ -</u>                | <u>\$ 1,025,064</u> |

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2005**

|                                                                                                                       | Special Revenue Funds     |                        |                      |                       |                        |                     |                           |                          |                   |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------|----------------------|-----------------------|------------------------|---------------------|---------------------------|--------------------------|-------------------|
|                                                                                                                       | Liquor Law<br>Enforcement | Friend of<br>the Court | Family<br>Counseling | Emergency<br>Planning | Pass-Through<br>Grants | R.O.D<br>Automation | Survey<br>Remonumentation | Community<br>Corrections | 911<br>Program    |
| REVENUES:                                                                                                             |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Federal Grants                                                                                                        | \$ -                      | \$ -                   | \$ -                 | \$ 724                | \$ 129,668             | \$ -                | \$ -                      | \$ -                     | \$ -              |
| State Grants                                                                                                          | 10,384                    | -                      | -                    | -                     | 36,520                 | -                   | 133,713                   | 4,352                    | -                 |
| Local Contributions                                                                                                   | 416                       | -                      | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| Charges for Services                                                                                                  | -                         | 3,348                  | 3,405                | -                     | -                      | 24,831              | -                         | 3,484                    | 192,226           |
| Fines & Forfeits                                                                                                      | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| Interest & Rentals                                                                                                    | -                         | -                      | -                    | -                     | -                      | 925                 | -                         | -                        | 12,904            |
| Other Revenues                                                                                                        | -                         | -                      | -                    | -                     | -                      | -                   | -                         | 224                      | 20                |
| <b>TOTAL REVENUES</b>                                                                                                 | <b>10,800</b>             | <b>3,348</b>           | <b>3,405</b>         | <b>724</b>            | <b>166,188</b>         | <b>25,756</b>       | <b>133,713</b>            | <b>8,060</b>             | <b>205,150</b>    |
| EXPENDITURES:                                                                                                         |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| General Government                                                                                                    | -                         | -                      | -                    | -                     | -                      | 15,599              | 133,708                   | -                        | -                 |
| Judicial                                                                                                              | -                         | 2,194                  | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| Public Safety                                                                                                         | 2,371                     | -                      | -                    | 168                   | -                      | -                   | -                         | 7,803                    | 274,677           |
| Public Works                                                                                                          | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| Health And Welfare                                                                                                    | -                         | -                      | 4,500                | -                     | 166,188                | -                   | -                         | -                        | -                 |
| Debt Service                                                                                                          | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| <b>TOTAL EXPENDITURES</b>                                                                                             | <b>2,371</b>              | <b>2,194</b>           | <b>4,500</b>         | <b>168</b>            | <b>166,188</b>         | <b>15,599</b>       | <b>133,708</b>            | <b>7,803</b>             | <b>274,677</b>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>                                                              | <b>8,429</b>              | <b>1,154</b>           | <b>(1,095)</b>       | <b>556</b>            | <b>-</b>               | <b>10,157</b>       | <b>5</b>                  | <b>257</b>               | <b>(69,527)</b>   |
| OTHER FINANCING SOURCES (USES):                                                                                       |                           |                        |                      |                       |                        |                     |                           |                          |                   |
| Operating Transfers In                                                                                                | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| Operating Transfers Out                                                                                               | -                         | -                      | -                    | -                     | -                      | -                   | -                         | -                        | -                 |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>8,429</b>              | <b>1,154</b>           | <b>(1,095)</b>       | <b>556</b>            | <b>-</b>               | <b>10,157</b>       | <b>5</b>                  | <b>257</b>               | <b>(69,527)</b>   |
| <b>FUND BALANCES (DEFICIT), JANUARY 1</b>                                                                             | <b>22,173</b>             | <b>11,711</b>          | <b>20,955</b>        | <b>3,833</b>          | <b>-</b>               | <b>37,728</b>       | <b>-</b>                  | <b>29,980</b>            | <b>588,750</b>    |
| <b>FUND BALANCES (DEFICIT), DECEMBER 31</b>                                                                           | <b>\$ 30,602</b>          | <b>\$ 12,865</b>       | <b>\$ 19,860</b>     | <b>\$ 4,389</b>       | <b>\$ -</b>            | <b>\$ 47,885</b>    | <b>\$ 5</b>               | <b>\$ 30,237</b>         | <b>\$ 519,223</b> |



**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2005**

| Special Revenue Funds                                                                                                 |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
|-----------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------|------------------------|-----------------|---------------------------------|------------------------------|------------------|-------------------|-----------------------|
|                                                                                                                       | 911<br>Wireless  | Correction's<br>Officer's Training | Probation<br>Oversight | Law<br>Library  | Airport Terminal<br>Improvement | Michigan<br>Justice Training | Township<br>Road | Child<br>Care     | In Home<br>Child Care |
| REVENUES:                                                                                                             |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Federal Grants                                                                                                        | \$ -             | \$ -                               | \$ -                   | \$ -            | \$ -                            | \$ -                         | \$ -             | \$ -              | \$ -                  |
| State Grants                                                                                                          | 88,016           | -                                  | -                      | -               | -                               | 1,573                        | -                | 33,713            | -                     |
| Local Contributions                                                                                                   | -                | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| Charges for Services                                                                                                  | -                | 4,405                              | -                      | -               | -                               | -                            | -                | 24,150            | -                     |
| Fines & Forfeits                                                                                                      | -                | -                                  | 2,205                  | 2,500           | -                               | -                            | -                | -                 | -                     |
| Interest & Rentals                                                                                                    | 1,303            | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| Other Revenues                                                                                                        | -                | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| <b>TOTAL REVENUES</b>                                                                                                 | <b>89,319</b>    | <b>4,405</b>                       | <b>2,205</b>           | <b>2,500</b>    | <b>-</b>                        | <b>1,573</b>                 | <b>-</b>         | <b>57,863</b>     | <b>-</b>              |
| EXPENDITURES:                                                                                                         |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| General Government                                                                                                    | -                | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| Judicial                                                                                                              | -                | -                                  | -                      | 6,596           | -                               | -                            | -                | -                 | -                     |
| Public Safety                                                                                                         | 78,406           | 3,099                              | 1,602                  | -               | -                               | 2,683                        | -                | -                 | -                     |
| Public Works                                                                                                          | -                | -                                  | -                      | -               | -                               | -                            | 120,000          | -                 | -                     |
| Health And Welfare                                                                                                    | -                | -                                  | -                      | -               | -                               | -                            | -                | 83,402            | 1,625                 |
| Debt Service                                                                                                          | -                | -                                  | -                      | -               | -                               | -                            | -                | -                 | -                     |
| <b>TOTAL EXPENDITURES</b>                                                                                             | <b>78,406</b>    | <b>3,099</b>                       | <b>1,602</b>           | <b>6,596</b>    | <b>-</b>                        | <b>2,683</b>                 | <b>120,000</b>   | <b>83,402</b>     | <b>1,625</b>          |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>                                                              | <b>10,913</b>    | <b>1,306</b>                       | <b>603</b>             | <b>(4,096)</b>  | <b>-</b>                        | <b>(1,110)</b>               | <b>(120,000)</b> | <b>(25,539)</b>   | <b>(1,625)</b>        |
| OTHER FINANCING SOURCES (USES):                                                                                       |                  |                                    |                        |                 |                                 |                              |                  |                   |                       |
| Operating Transfers In                                                                                                | -                | -                                  | -                      | 6,500           | -                               | -                            | 130,000          | 70,000            | 1,625                 |
| Operating Transfers Out                                                                                               | -                | -                                  | -                      | -               | -                               | -                            | -                | (1,625)           | -                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br/>FINANCING SOURCES OVER EXPENDITURES AND OTHER<br/>FINANCING USES</b> | <b>10,913</b>    | <b>1,306</b>                       | <b>603</b>             | <b>2,404</b>    | <b>-</b>                        | <b>(1,110)</b>               | <b>10,000</b>    | <b>42,836</b>     | <b>-</b>              |
| <b>FUND BALANCES (DEFICIT), JANUARY 1</b>                                                                             | <b>62,234</b>    | <b>2,093</b>                       | <b>2,093</b>           | <b>3</b>        | <b>11,107</b>                   | <b>5,468</b>                 | <b>-</b>         | <b>59,133</b>     | <b>-</b>              |
| <b>FUND BALANCES (DEFICIT), DECEMBER 31</b>                                                                           | <b>\$ 73,147</b> | <b>\$ 3,399</b>                    | <b>\$ 2,696</b>        | <b>\$ 2,407</b> | <b>\$ 11,107</b>                | <b>\$ 4,358</b>              | <b>\$ 10,000</b> | <b>\$ 101,969</b> | <b>\$ -</b>           |

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2005

|                                                                                                              | Special Revenue Funds |                    |              | Debt<br>Service Funds                    |                            |            |
|--------------------------------------------------------------------------------------------------------------|-----------------------|--------------------|--------------|------------------------------------------|----------------------------|------------|
|                                                                                                              | Veteran's<br>Trust    | Substance<br>Abuse | Plat<br>Book | Circuit Court<br>Victim's<br>Restitution | Courthouse<br>Debt Service | Totals     |
| REVENUES:                                                                                                    |                       |                    |              |                                          |                            |            |
| Federal Grants                                                                                               | \$ -                  | \$ -               | \$ -         | \$ -                                     | \$ -                       | \$ 130,392 |
| State Grants                                                                                                 | 2,082                 | 54,229             | -            | -                                        | -                          | 364,582    |
| Local Contributions                                                                                          | -                     | -                  | -            | -                                        | -                          | 416        |
| Charges for Services                                                                                         | -                     | -                  | 5,043        | -                                        | -                          | 260,892    |
| Fines & Forfeits                                                                                             | -                     | -                  | -            | 1,926                                    | -                          | 6,631      |
| Interest & Rentals                                                                                           | -                     | -                  | -            | -                                        | -                          | 15,132     |
| Other Revenues                                                                                               | -                     | -                  | -            | -                                        | -                          | 244        |
| TOTAL REVENUES                                                                                               | 2,082                 | 54,229             | 5,043        | 1,926                                    | -                          | 778,289    |
| EXPENDITURES:                                                                                                |                       |                    |              |                                          |                            |            |
| General Government                                                                                           | -                     | -                  | -            | -                                        | -                          | 149,307    |
| Judicial                                                                                                     | -                     | -                  | -            | 2,175                                    | -                          | 10,965     |
| Public Safety                                                                                                | -                     | -                  | -            | -                                        | -                          | 370,809    |
| Public Works                                                                                                 | -                     | -                  | -            | -                                        | -                          | 120,000    |
| Health And Welfare                                                                                           | 2,076                 | 54,229             | -            | -                                        | -                          | 312,020    |
| Debt Service                                                                                                 | -                     | -                  | -            | -                                        | 131,588                    | 131,588    |
| TOTAL EXPENDITURES                                                                                           | 2,076                 | 54,229             | -            | 2,175                                    | 131,588                    | 1,094,689  |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES                                                            | 6                     | -                  | 5,043        | (249)                                    | (131,588)                  | (316,400)  |
| OTHER FINANCING SOURCES (USES):                                                                              |                       |                    |              |                                          |                            |            |
| Operating Transfers In                                                                                       | -                     | -                  | -            | -                                        | 131,588                    | 339,713    |
| Operating Transfers Out                                                                                      | -                     | -                  | -            | -                                        | -                          | (1,625)    |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER<br>FINANCING SOURCES OVER EXPENDITURES AND OTHER<br>FINANCING USES | 6                     | -                  | 5,043        | (249)                                    | -                          | 21,688     |
| FUND BALANCES (DEFICIT), JANUARY 1                                                                           | 222                   | -                  | 35,385       | 4,050                                    | -                          | 896,918    |
| FUND BALANCES (DEFICIT), DECEMBER 31                                                                         | \$ 228                | \$ -               | \$ 40,428    | \$ 3,801                                 | \$ -                       | \$ 918,606 |

## **Reports on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of  
The Board of Commissioners  
County of Mackinac, Michigan  
100 S. Marley Street  
St. Ignace, MI 49781

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Mackinac, Michigan, except for the Mackinac County Road Commission and Mackinac County Housing Commission, which were audited by other auditors, as of and for the year ended December 31, 2005, which collectively comprise the County of Mackinac, Michigan's basic financial statements and have issued our report thereon, dated March 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Mackinac County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over the financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect Mackinac County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and summary schedule of prior audit findings as items 2004-1, 2004-2, 2004-3, and 2004-4.

Honorable Chairman and Members  
of the Board of Commissioners  
County of Mackinac, Michigan

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider item 2004-4 to be a material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Mackinac, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We did note certain additional matters that we reported to the County of Mackinac, Michigan's management in a separate letter dated March 7, 2006.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

March 7, 2006



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
County of Mackinac, Michigan  
100 S. Marley Street  
St. Ignace, MI 49781

**Compliance**

We have audited the compliance of the County of Mackinac, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Mackinac, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Honorable Chairman and Members  
of the Board of Commissioners  
County of Mackinac, Michigan

### **Internal Control Over Compliance**

The management of the County of Mackinac, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Mackinac, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

March 7, 2006

# County of Mackinac, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2005

| Federal Grantor/Pass-through<br>Grantor/Program Title                                              | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|----------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------|-------------------------|
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>                                                             |                           |                                     |                         |
| Direct Award:                                                                                      |                           |                                     |                         |
| Sewer Grant                                                                                        | 10.760                    | -                                   | \$ 75,400               |
| <b>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</b>                                         |                           |                                     |                         |
| Pass-through programs from CLMA - Community Action Agency:                                         | 14.228                    | MSC 2005 742 HOA                    | 129,668                 |
| Direct Award:                                                                                      |                           |                                     |                         |
| Low Rent Public Housing                                                                            | 14.850                    | -                                   | 80,598                  |
| Capital Fund                                                                                       | 14.872                    | -                                   | 36,048                  |
| Total U.S. Department of Housing & Urban Development                                               |                           |                                     | 246,314                 |
| <b>U.S. DEPARTMENT OF JUSTICE:</b>                                                                 |                           |                                     |                         |
| Pass-through programs from the Michigan Department of Human Services:                              |                           |                                     |                         |
| Juvenile Accountability Incentive Block Grant                                                      | 16.523                    | JABGN-04-54001                      | 4,819                   |
| Juvenile Accountability Incentive Block Grant                                                      | 16.523                    | JABGN-05-54001                      | 15,411                  |
| Total U.S. Department of Justice                                                                   |                           |                                     | 20,230                  |
| <b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>                                                       |                           |                                     |                         |
| Pass-through programs from the Michigan Department of State Police, Emergency Management Division: |                           |                                     |                         |
| Emergency Management Performance Grants 10/01/04-09/30/05                                          | 97.007                    | -                                   | 8,087                   |
| 2003 State Homeland Security Grant Program - Part II Training                                      | 97.004                    | -                                   | 7,602                   |
| 2004 State Homeland Security Grant Program - Equipment                                             | 97.004                    | -                                   | 9,539                   |
| State Homeland Security Grant Program - Exercise Grant 4/01/03-3/31/05                             | 97.004                    | -                                   | 2,760                   |
| 2004 State Homeland Security Grant Program                                                         | 97.004                    | -                                   | 45,683                  |
| 2004 Law Enforcement Terrorism Prevention Program                                                  | 97.004                    | -                                   | 19,567                  |
| State Homeland Security Grant Program - CI Grant                                                   | 97.078                    | -                                   | 14,220                  |
| Total U.S. Department of Homeland Security                                                         |                           |                                     | 107,458                 |
| <b>U.S. DEPARTMENT OF TRANSPORTATION:</b>                                                          |                           |                                     |                         |
| Pass-through programs from the Michigan Department of State Police, Emergency Management Division: |                           |                                     |                         |
| HEMP Grant 2004-2005                                                                               | 20.503                    | -                                   | 724                     |
| Pass-through programs from the Michigan Department of Transportation:                              |                           |                                     |                         |
| Federal Highway Grant - State Administered                                                         | 20.205                    | -                                   | 660,624                 |
| Total U.S. Department of Transportation                                                            |                           |                                     | 661,348                 |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>                                               |                           |                                     |                         |
| Pass-through programs from the Michigan Department of Human Services:                              |                           |                                     |                         |
| Friend of Court Federal Incentive                                                                  | 93.560                    | -                                   | 22,429                  |
| PA CRP Title IV-D - 10/1/04 to 9/30/05                                                             | 93.563                    | CS/PA-03-54002                      | 46,668                  |
| PA CRP Title IV-D - 10/1/05 to 9/30/06                                                             | 93.563                    | CS/PA-05-54002                      | 15,257                  |
| FOC CRP Title IV-D - 10/1/04 to 9/30/05                                                            | 93.563                    | CS/FOC-05-54001-3                   | 111,589                 |
| FOC CRP Title IV-D - 10/1/05 to 9/30/06                                                            | 93.563                    | CS/FOC-05-54001-01                  | 41,117                  |
| Total U.S. Department of Health and Human Services                                                 |                           |                                     | 237,060                 |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                                        |                           |                                     | <b>\$ 1,347,810</b>     |

See accompanying notes to schedule of expenditures of federal awards.



**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Mackinac, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B - COGNIZANT AGENCY**

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Agriculture which provided the greatest amount of direct federal funding to the County during 2005.

**NOTE C - FEDERAL REVENUES**

|                                          |    |                  |
|------------------------------------------|----|------------------|
| Federal Revenues per Financial Statement | \$ | 551,407          |
| Less: State Grants Classified as Federal |    | (56,267)         |
| Federal Expenditures of                  |    |                  |
| Housing Commission                       |    | 116,646          |
| Department of Public Works               |    | 75,400           |
| Road Commission                          |    | <u>660,624</u>   |
| Total Federal Expenditures               | \$ | <u>1,347,810</u> |

**NOTE D - FEDERAL GRANTS – ROAD COMMISSION:**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended December 31, 2005, the Federal aid received and expended by the Road Commission was \$660,624 for contracted projects. Contracted projects are defined as projects performed by private contractors that are paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the Road Commission, as they are included in MDOT's single audit.

**NOTE E - SUB RECIPIENT AWARDS**

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to sub recipients as follows:

| <u>Federal Program Title</u>                                                | <u>CFDA<br/>Number</u> | <u>Amount</u> |
|-----------------------------------------------------------------------------|------------------------|---------------|
| Community Development Block Grant for 2005<br>Community Action Agency, Inc. | 14.228                 | 129,668       |
| Rural Development – Sewer Grant<br>Brevort Township                         | 10.760                 | 75,400        |

Section A - Summary of Auditors' Results**Financial Statements**

|                                                                                           |             |
|-------------------------------------------------------------------------------------------|-------------|
| Type of auditors' report issued:                                                          | Unqualified |
| Internal control over financial reporting:                                                |             |
| Material weaknesses identified?                                                           | Yes         |
| Reportable conditions identified<br>that are not considered to be<br>material weaknesses? | Yes         |
| Noncompliance material to financial<br>statements noted?                                  | No          |

**Federal Awards**

|                                                                                                                          |             |
|--------------------------------------------------------------------------------------------------------------------------|-------------|
| Internal control over major programs:                                                                                    |             |
| Material weaknesses identified?                                                                                          | No          |
| Reportable conditions identified<br>that are not considered to be<br>material weaknesses?                                | No          |
| Type of auditors' report issued on<br>compliance for major programs:                                                     | Unqualified |
| Any audit findings disclosed that are<br>required to be reported in accordance<br>with section 510(a) of Circular A-133? | No          |

**Identification of Major Programs****CFDA NUMBERS****Name of Federal Program or Cluster**

|                                                                             |                                   |
|-----------------------------------------------------------------------------|-----------------------------------|
| 14.228                                                                      | Community Development Block Grant |
| 93.563                                                                      | Child Support Enforcement         |
| Dollar threshold used to distinguish<br>between type A and type B programs: | \$300,000                         |
| Auditee qualified as low-risk auditee?                                      | No                                |

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

REPORTABLE CONDITIONS – INTERNAL CONTROL

**Lack of Segregation of Duties Regarding Payroll System**

***Finding 2005-1***

*Condition/Criteria:* All Employees of Mackinac County are required to be paid via direct deposit. The only point of approval in the payroll system is when supervisors review and approve individual employee's time cards. These time cards are then submitted to the deputy clerk who inputs all data, determines the total payroll for that pay-period, creates the electronic transmittal, and submits it to the First National Bank (FNB).

*Effect:* There is no review or approval process concerning the amounts or destination accounts that are associated with the payroll check that is submitted to FNB at the end of each pay-period.

The deputy clerk inputs all data for pay, withholdings, and overtime etc., then creates and submits the direct deposit transfer to FNB.

The only person who reviews this data is the deputy clerk herself.

*Cause:* Small entity with limited staffing.

*Recommendation:* The department heads should perform reviews of payroll reports that relate to their office.

*Management's Response – Corrective Action Plan:* After discussing this process with the deputy clerk, she agreed that the system is vulnerable to mistakes and manipulation at certain points. She agreed that the following steps were both practicable and advisable:

- An Earnings and Deduction report should be submitted to each department head after every pay-period. This report would include data for the individual department.
- The aggregate totals of all of the Earnings and Deductions reports "net pay" would be agreed against the electronic money amount transmitted to FNB for direct deposit of payroll.
- The department head (or designee) would review the report. If the data contained in the report agreed with his/her payroll records, he/she would initial the report and return it to the County Clerk's office. This report would be kept on file at the Clerk's office.

**C. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS**

**NONE.**

**A. FINDINGS - FINANCIAL STATEMENTS AUDIT**

REPORTABLE CONDITIONS – INTERNAL CONTROL

**Lack of Segregation of Duties – Treasurer’s Office**

***Finding 2004-1***

*Condition/Criteria:* At the current time the same individual(s) in the Treasurer’s office can receive cash, make journal entries, record transactions to the general ledger, reconcile bank accounts, maintain the general ledger and are also one of the check signers.

*Effect:* Lack of segregation of duties increases the risk that errors and irregularities could occur and not be detected in a timely manner.

*Cause:* Small entity with limited staffing.

*Recommendation:* The County should segregate duties as much as possible. Also, review of monthly financial reports by department heads and the board would supplement internal controls.

*Management’s Response – Corrective Action Plan:* Duties will be separated as much as possible and monthly financial reports will be provided to department heads and the Board of Commissioners.

*Status:* Monthly financial reports were provided to department heads in 2005. We consider this matter corrected.

**Detailed Listing of Inmate Reimbursement Receivables**

***Finding 2004-2***

*Condition/Criteria:* The amount due for inmate housing is not recorded on the general ledger and there was no report available indicating what amounts are due. In addition, the same individual that is responsible for the accounts receivable ledger also collect payments, and adjusts accounts, etc.

*Effect:* A detailed listing of Inmate Reimbursement Receivables in not maintained.

*Cause:* Unknown.

*Recommendation:* Although we understand that most of these amounts are uncollectible, to increase controls the County should maintain a detailed listing of the amounts due, billings for the period, and collections. The Board should consider whether it is possible to have someone other than the individuals collecting payments, perform the billings and maintain the accounts receivable ledger.

*Management’s Response – Corrective Action Plan:* A review will be performed of these amounts to determine collectibility. After the review is performed the detailed listing will be updated to correct the above finding.

*Status:* No change in 2005.

A. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)

REPORTABLE CONDITIONS – INTERNAL CONTROL

**Timeliness of Revenues Transmitted from Sheriff's Department**

***Finding 2004-3***

*Condition/Criteria:* During our audit, we noted that revenues collected in the Sheriff's Department were not deposited with the Treasurer in a timely manner. In fact, most of the time revenues were only deposited with the County Treasurer once a month and sometimes longer.

*Effect:* When revenues are not deposited in a timely manner the risk of errors, omissions, and irregularities occurring increases.

*Cause:* Unknown.

*Recommendation:* We recommend that deposits be made with the County Treasurer on a regular basis and no less frequently than weekly.

*Management's Response – Corrective Action Plan:* Revenues will be remitted in a timelier manner in fiscal 2005.

*Status:* Revenues are now remitted in a timely manner. This finding is considered corrected.

**Inmate Trust/Commissary Account Procedures**

***Finding 2004-4***

*Condition/Criteria:* For the year under audit, as in prior years, the inmate monies and the commissary revenues have been combined into one bank account. At the end of each month, a bank statement was then provided to the County Treasurer, and any net increase in the account was recorded as revenue and any decrease as expenses.

*Effect:* As a result, revenues and expenses for the commissary for the year ended December 31, 2004 are not reported correctly.

*Cause:* Unknown.

*Recommendation:* We understand that it is not practical to separate the accounts; however, we recommend the following changes be made:

- No amounts should be paid out of this account other than refunds of inmate trust balances when they are discharged. During our audit, we noted that cable bills, commissary supplies, equipment, etc., were purchased directly from this account. All payments to vendors should go through the normal accounts payable process with the County Clerk.

**A. FINDINGS - FINANCIAL STATEMENTS AUDIT (Continued)**

- The amount of inmate monies held in this account should be recorded as a liability. Then, at the end of the month a bank statement, summary of inmate balances, and the amount of commissary items purchased by the inmates during the month should be provided to the County Treasurer to make the necessary entries to the general ledger.
- The bank account should be reconciled on a monthly basis by someone other than the individual(s) responsible for writing checks.

*Management's Response – Corrective Action Plan:* Management will strive to implement the procedures recommended.

*Status:* Our audit revealed that management has followed this recommendation and made the required changes. However, one issue still remains. The cash relating to the commissary is still in the bank account and not reported in the general ledger. We recommend that this amount be transmitted to the Treasurer's office monthly and include with cash of the commissary fund.

**B. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS**

**NONE.**



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**MEMBER AICPA**  
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**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Members of the Mackinac County  
Board of Commissioners  
100 S. Marley Street  
St. Ignace, MI 49781

We have audited the financial statements of the County of Mackinac for the year ended December 31, 2005, and have issued our reports thereon dated March 7, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Mackinac's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Mackinac's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Mackinac's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Mackinac's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Mackinac's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Mackinac are described in Note 1. No new accounting policies were adopted and there were no changes to the application of any existing policies during the fiscal year. We noted no transactions entered into by the County of Mackinac during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the County of Mackinac's financial reporting process (this is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the County of Mackinac, either individually or in the aggregate, indicate matters that could have a significant effect on the County of Mackinac's financial reporting process.



### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Mackinac or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

#### **Budget Status Reports (Prior Year)**

At the current time, it is our understanding that a summary financial report is provided to the Board of Commissioners on a monthly basis by the County Treasurer that provides summary revenues and expenditures. To further increase controls, we suggest that a budget status report be provided and reviewed by the Board of Commissioners at least quarterly.

#### **Circuit Court Bonds (Prior Year)**

During our audit procedures we were unable to reconcile the Circuit Court Bond report maintained by the Circuit Court's office to the balance in the Trust & Agency Fund. We recommend that the report be balanced to the general ledger on a monthly basis.

#### **District Court Bonds**

During our audit procedures we were unable to reconcile the District Court Bond report maintained by the District Court's office to the balance in the Trust & Agency Fund. We recommend that the report be balanced to the general ledger on a monthly basis.

### **Restitution Payable Report**

During our audit procedures we were unable to reconcile the Restitution Payable report maintained by the Circuit Court's office to the balance in the Trust & Agency Fund. We recommend that the report be balanced to the general ledger on a monthly basis.

### **SEC Rule 15C2-12 Disclosure Requirements**

SEC Rule No. 240.15c2-12 requires issuers of municipal securities in principal amounts of \$1 million or more or whose outstanding aggregate debt exceeds \$10 million to report financial and operational information as well as notice of material events to nationally recognized municipal securities information repositories annually. With the issuance of the bonds for the sewer system, the County is subject to these reporting requirements. We recommend that the County establish a written plan and process to ensure that this report is completed and filed by June 30th of each year.

### **Prepaid Expenditures**

Currently, there are prepaid expenditures that are not recorded on the general ledger at year end. To provide the most accurate financial information, prepaid expenditures for insurance should be recorded at year end.

### **Capital Assets**

The County's schedule of capital assets and accumulated depreciation did not agree to the 2004 audit report. We recommend that individuals responsible for the fixed asset information agree the County's schedule to the audit report on an annual basis.

### **Receipts**

During our testing of receipts and departmental transmittals, we noted that two of the five transmittals tested did not have supporting documentation available from the originating department (Register of Deeds and Animal Control Departments). We recommend that supporting documentation be retained.

### **Interest Receivable – Delinquent Tax Fund**

Because the Delinquent Tax Fund is on the full accrual method of accounting, an interest receivable should be accrued for the 2004 and 2003 tax collections.

### **Summer Tax Levy**

With the change in the funding of Revenue Sharing various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to still fund Revenue Sharing and still receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what is not collected is not received until settlement of the subsequent year. This creates a cash flow shortage which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties operating levy whole, we recommend that taxes receivable and taxes revenue be recorded to account for the uncollected summer levy at year end.

### **Housing Commission**

In the past, the Housing Commission has been a discretely presented component unit of Mackinac County. In 2004, the Commission separated from the County is the areas of accounting and personnel in an effort not to be a component unit. The County board does appoint the members of the Housing Commission board upon recommendation of other Housing Commission Board members. The Michigan Department of Treasury recommends that the Housing Commission be a discretely presented component unit. If the County deems that it should not be a component unit then the Department of Treasury will allow it to be excluded if a footnote is presented disclosing the reasons why it should not be a component unit of the County and include the financial statements. The audit report of the Housing Commission still discloses it as a component unit of the County, yet the Director of the Commission believes that it should not be. We recommend that all parties should meet to determine a course of action.

### **Hospital Millage**

While auditing the millage revenues of the Hospital, we initially noted that the revenue recorded in the general ledger was less than the calculated amount to be collected. Upon further review, we noted that the final settlement was not posted to the revenue and expenditure accounts in the Hospital Millage fund. In summary, all millage funds due to the Hospital were collected and disbursed correctly, but the general ledger accounts were not updated for the final settlement. We recommend that management annually compare the amount to be collected to the amount recorded in the general ledger.

## **GASB Statement 45 – Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions**

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.


The Statement is implemented in three phases, with the County of Mackinac required to implement the Statement for the year ended December 31, 2009. GASB Statement 45 will impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to pay for these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Board of Commissioners as well as County Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

### **Conclusion**

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

  
**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

March 7, 2006